

50c



A NEW MODERN AGE BOOK

# HOW SOCIALISM WORKS



A Sound and Simply Written Analysis



by  
JOHN  
STRACHEY

WHAT THIS BOOK IS ABOUT

Capitalist Production for Profit  
Socialist Production for Use  
The Existing Socialist System of Production  
The Capitalist Method of Distribution  
The Socialist Method of Distribution  
Socialism and Communism Distinguished  
Incentives to Work

BIBLIOGRAPHICAL NOTES

From the collection of the

o P<sup>z n m</sup>re<sup>a</sup>inger  
v L<sup>t p</sup>ibrary

San Francisco, California  
2008

*How Socialism Works*, is devoted exclusively to the job of explaining exactly what socialism is. In it, Mr. Strachey proceeds to correct what is perhaps the most common and widespread misconception abroad in the world today. Strachey writes:

"For Fifty years after their discovery the ideas of Marx and Engels were completely boycotted by the intellectual leaders of America and Britain. During this whole period, for example, no ray of comprehension of even the simpler Marxist conceptions ever penetrated an American or British university. During a period when Marxist controversy was shaking the whole intellectual life of Germany and Austria . . . the American and British universities remained, in this matter at any rate, as sunk in thoughtless meditation as they had been in the days of Edward Gibbon. . . .

"With 1929 a sudden . . . wave of Marxist thinking, speaking and writing struck the American intellectual world. With a speed and force impossible anywhere else Marxism has swept through thinking America. . . .

"Thus in both English-speaking countries the boycott of Marxism has been broken. It is no longer possible for the spokesmen of capitalism to ignore Marxism. . . . The approach of Marxism is still a relatively unfrequented path."

John Strachey is generally recognized as the leading socialist economist writing in English. More important still, he expounds economics—that mystery of mysteries—so that it becomes simple and even exciting.

Strachey passed his thirty-seventh birthday last fall as a guest of the authorities on Ellis Island, his visa cancelled by our London consul after he had sailed to fulfill a series of lecture engagements in the United States. Graduating with high honors from Oxford, Strachey turned early to writing on economics and political science. His books, particularly *The Coming Struggle for Power* and *Hope in America*, have had tremendous success in America.

Strachey lives with his wife and two children in London. He is now at work upon a comprehensive study of the economics of Fascism.

*Books by John Strachey*

THE COMING STRUGGLE FOR POWER

THE MENACE OF FASCISM

LITERATURE AND DIALECTICAL MATERIALISM

THE NATURE OF CAPITALIST CRISIS

THE THEORY AND PRACTICE OF SOCIALISM

WHAT ARE WE TO DO?

HOPE IN AMERICA



---

**JOHN STRACHEY**

---

**HOW  
SOCIALISM  
WORKS**

---

**MODERN AGE BOOKS  
432 FOURTH AVE., NEW YORK**

---

COPYRIGHT 1939 BY JOHN STRACHEY

PUBLISHED BY MODERN AGE BOOKS, INC.

*All rights in this book are reserved, and it may not be reproduced in whole or in part without written permission from the holder of these rights. For information address the publishers.*



60

*Printed in the United States of America*

TO MY DAUGHTER  
ELIZABETH

**BUILD**



101

**CALIFORNIA LABOR SCHOOL**



## C O N T E N T S

I.	What This Book Is About	3
II.	Capitalist Production for Profit	16
III.	Socialist Production for Use	29
IV.	Planning	47
V.	The Existing Socialist System of Production	62
VI.	Incompatibility of the Two Productive Systems	87
VII.	The Capitalist Method of Distribution	97
VIII.	The Changing Shape of Capitalism	105
IX.	The Two Classes	121
X.	The Socialist Method of Distribution	127
XI.	The Abolition of Classes	139
XII.	Socialism and Communism Distinguished	147
XIII.	Incentives to Work	162
	<i>Bibliographical Notes</i>	188



## HOW SOCIALISM WORKS





## WHAT THIS BOOK IS ABOUT

---

Two things are necessary to the success of any labor movement: the movement has got to know both where it is going and how to get there.

Each is equally important. If a labor movement does not know the goal of all its efforts it can never succeed. The movement must know the final objective toward the attainment of which the winning of every election, the calling of every strike, the organization of this or that section of the workers, the promotion of this or that piece of legislation, the building of this or that working-class political party, are all directed. There have been labor movements which did not know where they were going. The British Labor Movement, for example, has never paid much attention to the question of what it was really out to attain. For a long time such an indifference to the ultimate goal may not seem to matter very much. The work of the movement may go on with great apparent efficiency. Trade-unions may be well organized; strikes strongly fought; considerable election triumphs registered. But in the long run, experience conclusively shows, a labor movement which does not know where it is going is bound to fail. In the end such a movement is bound to lose direction, to take what appears to be the easy path, to fail to see the necessity of carrying through certain measures even in face of the strongest opposition and the greatest difficulties.

A labor movement which knows precisely what its ultimate goal is, but does not know how to get there is also bound to fail. Such a movement is bound to get narrow, sectarian, and exclusive; bound to fail to carry along with it the millions of workers who have not yet come into the movement and become conscious of the goal. Such a movement will fail just as certainly, though for opposite reasons, as will the first kind of movement.

Now the goal of a labor movement is socialism. The only way in which people who earn their livings by working for wages can get the things which they all need so much; the only way by which they can get secure and regular work at good wages, reasonable hours and under good conditions, is by so transforming the present economic system as to make it into a socialist economic system. Hence when we say that one of the two indispensable things for a labor movement is that it should know the goal of all its activities, what we are really saying is that it is indispensable for a labor movement to have a clear conception of socialism.

This book is exclusively devoted to the job of explaining exactly what socialism is. It runs the risk therefore of seeming to be rather narrow and sectarian. There is nothing in it about how the labor movement is to get to socialism. There is nothing about the struggles of the wage-earners, here and now under capitalism, to improve their lot (for workers get socialism precisely by struggling to improve their conditions under capitalism). If readers get the impression from this book that these struggles are not

important—that the only thing that matters is socialism itself—then the book will be doing nothing but harm. The efforts of a trade-union, for example, to get even the most modest increase in wages or reduction in hours are in one sense all-important. But it seems useful to have one book dealing exclusively not with such efforts and struggles themselves, but with a description of socialism. For it is only if these immediate struggles are inspired and organized by men and women who clearly realize the goal of them all—who have a clear picture of socialism in their minds—that they will be successful.

Socialism is described in these pages as a fully developed economic system, complete in itself. For the sake of clarity, this blueprint, as it were, of the socialist method of producing and distributing goods and services is contrasted with the existing capitalist method of producing goods and services. I believe that it is worth while to make this contrast, since people are apt to blur the distinction between the two systems and to fail to realize the fundamental differences between them. At the same time real life is never so neat and clear-cut as all that. In spite of all the difficulties which are described in these pages, certain elements of socialism—of production for use, that is to say—can and must exist even in capitalist economies such as those of America and Britain. And every member of the labor movement struggles to extend and build upon these socialist beginnings.

Finally, this book can make no claim to be a full description of a socialist society, for it is entirely devoted to

describing how a socialist economic system works. Although the basis of socialism is a new economic system, socialism itself involves also a change in the political and social life of every man and woman. And nothing is said about the changes which socialism makes in these vitally important spheres of human life. If readers wish to learn more of these aspects of the subject, they may like to consult a much longer book by me entitled *The Theory and Practice of Socialism. How Socialism Works* is a revision of the first part (dealing exclusively with economics) of that larger volume.

There is another reason for attempting today to describe a socialist economic system. Socialism has now been established in one of the major countries of the world. Hence a more positive, descriptive, constructive, and a less analytical, negative and critical, approach to the subject is now possible. Formerly socialism existed only as a doctrine, a criticism of things as they are, and an aspiration toward things as they might be. Today it exists as the institutions of a great state. Before this incarnation, the positive approach attempted in these pages was impossible; it would have led to no more than fantasy-building and dreaming. Then it was necessary to put almost all the emphasis on the analysis of capitalism; now it is possible to shift the emphasis to the elucidation of socialism.

The problems with which this book attempts to grapple seem to me to be worthy of the attention not only of the American workers, but also of those whose economic existence is relatively satisfactory. For some of this fortunate

minority such questions as the comparative merits of economic systems based respectively on production for profit and production for use, may seem remote from the daily business of their lives. But they are not. Those of us to whom fate has been comparatively kind would like to ignore these problems, for they put into question the very foundations of our contemporary society. We inevitably long to be allowed to lead our own personal lives against the background of a society which, however imperfect, is at any rate stable. But the society in which we live is not stable. We can no more escape its perturbations by refusing to take part in the social struggles of our times than a frightened passenger can escape from a shipwreck by locking himself up in his cabin.

Thus ever-increasing numbers of relatively well-circumstanced men and women are now finding themselves impelled to examine the basis of contemporary society. A growing number of them are beginning to find that they cannot live lives which yield them an adequate degree of either mental or physical satisfaction in the existing world. Among the economically privileged there are, as there always have been, men and women who find it impossible to bear in silent complacency the sufferings, which they now see to be totally unnecessary, of by far the greater number of their fellowmen. But it is the peculiar characteristic of our times that the property-owning members of society are themselves beginning to experience the effects of a contracting economic system.

In Britain and America the greater number of them

have as yet maintained their incomes fairly well. But to an ever-increasing extent they find, and will find, that there are no constructive tasks left for them within the framework of capitalism. They will find that no longer can they, as did the fathers and grandfathers of the contemporary capitalist class, create both a fortune for themselves and some major productive enterprise (some new railway, some great plant, or the like) for the community. For the remaining roads to wealth lie increasingly through a mere manipulation of the ownership of existing enterprises, the merging of companies, the pushing of stocks, the shuffling and re-shuffling of shares. Gambling and the cheating which always goes with it become more and more the essential occupations of the top layer of contemporary society. To such lengths has this prostitution of the older types of economic incentive now gone that the foremost theorists of the capitalist world are themselves profoundly disturbed by it. Mr. Maynard Keynes in his most recent book,\* for example, complains that "the capital development of a country" has become the "by-product of the activities of a casino."

Moreover, even in these purely financial fields, as well as in productive industry and in imperial government, the positions of power tend more and more to become hereditary. The directors' sons, and sons-in-law, and nephews, fill the avenues to promotion. They sit in the parliaments, the bank parlors, the managing directors' rooms, and in the headquarters staffs of the imperial apparatus of adminis-

\* *The General Theory of Employment, Interest and Money.*



tration and coercion. Capitalist imperialism ossifies. With every decade the order of its hierarchy comes to have less and less relation to merit. The able serve the dull. The insensitive, the foolish and the brutal command; the intelligent and the humane obey.

It is true that in the vast apparatuses of the British and American systems many relatively important posts are still open to the claims of talent. Thousands of able architects, scientists, doctors, and civil servants are still employed on interesting and apparently constructive tasks by the great corporations and by the governmental agencies. And as yet many of these fortunate men and women feel satisfied with their work. But one by one even these workers will be unable to prevent themselves from realizing that the decay of the economic system within which they work is bringing to nought, or turning to vile uses, their most brilliant and devoted activities.

The frustration of the contemporary scientist, however well paid and well employed, is now a familiar theme. A notorious example is afforded by the chemist, bio-chemist, or physicist, who sees his work used more and more exclusively to perfect the technique of slaughter. But the technical inventor who produces a device which will enable a hundred men to produce the current supply of some article, where a thousand were required before, is in a similar case. For nothing is now more frequent than that the end result of his invention should be no net increase in the wealth of the world and the ruin by unemployment and destitution of nine hundred of his fellow-men. Or

again, the contemporary scientist, having developed some unquestionably useful device, may take it to market and may find a buyer. But his device is now often bought by some great trust, not for use, but in order to prevent its use—so that existing plant and machinery may not be made obsolete.

The young doctor often finds that at the end of his training he must buy the right to attend to the medical needs of the small class of persons who can afford to pay him. If he (or she) cannot afford to buy a practice, he may well be forced into idleness, surrounded by men and women who suffer and die for lack of his services. For the invisible restraints of the economic system bar the way between his skill and their suffering. Slowly but surely the intolerable irrationality of such an arrangement must break through the formidable conditioning to an acceptance of the world as it is, which the young doctor (like every other young professional man) undergoes in the process of his training.

The situation of members of the other professions is in some ways less obviously affected by their social environment. At certain times and in certain places particular professions still enjoy periods of prosperity. In Britain, for example, the architectural profession, after some years of severe depression, is (since 1936) well employed—just as were the architects of America before 1929. But even in these periods of intermittent, if intense, activity the modern architect must surely sometimes experience disgust at the use to which his talents are put. For example, the

American architects in the boom period often derived the utmost satisfaction from solving the technical problems presented by new types of buildings, such as the skyscraper. But, after all, the ultimate purpose of a building is to serve, not as an exercise in statics, but as a place in which to live or work. Hence the architect must in the end be frustrated if his building remains for ever empty.

Again modern architects can, and do, produce elaborate and technically excellent plans for the re-housing of the population on modern standards. And as yet the majority of British and American architects suppose that this is a technical problem. They cannot conceive what communists and socialists can mean when they say that the existing economic system makes the re-housing of the population economically and politically impossible. They believe that the fact that capitalism has never yet anywhere been able to undertake such an enterprise, and that the Soviets, in spite of their inferior technical and material resources, actually are doing so, must be due to some peculiar accident. And yet in this field, too, the sheer force of experience will in the end drive one architect after another to look into the question of whether the frustration of the purpose of a growing proportion of his work is no accident, but an inherent and predictable effect of the existing social and economic system.

Another category of intellectual workers whose devotion to and enthusiasm for their work attest their earnest sense of its social importance are the teachers. And no doubt many British and American teachers still feel that they

can constructively contribute to human welfare. In the 1936 teachers' conferences, which are held in Britain during the Easter holidays, teacher after teacher from the great distressed areas of Britain rose to report that their pupils were too undernourished to learn much. (In America during recent years there have been states and cities [as, for instance, Chicago] where the teachers were as hungry as the pupils, for during many months they received no pay.) It must surely begin to occur to the teaching profession that the first thing which is necessary for us, and them, to learn is how to arrange our economic life in such a way that we do not keep our children's minds in the numbness of semi-starvation.

In a very few, and relatively very small, fields of human activity (of which the book-publishing trade is a good example) the able and enterprising, *if they are equipped with or can command the necessary capital*, can still find their way to success and independence in free competition with their fellows. How relatively narrow those remaining fields of genuinely competitive endeavor now are can only be envisaged by recalling that once the whole field was of this character. Once it was true that for those who had, or could obtain access to, a relatively moderate sum of capital (*but only for them*) there were great opportunities of independent success. But in one sphere after another the process of trustification and monopolization has gone forward.

It is true that the great privately owned corporations in banking, industry, commerce, and newspaper publication,

which have now largely taken the place of the freely competing individual firms, offer young men attractive careers as their officers. But these are the careers of well-paid subordinates. The ownership and control remain in the hands of a more and more hereditary hierarchy of families. The broad purposes of these controlling families cannot even be questioned by the best-paid employee. If they should be anti-social, he will be as powerless to affect them as the worker at the bench.

The higher officers of the state form another large group of relatively well-paid and secure workers. Such skilled civil servants may, and often do, feel that they are performing an invaluable function. A British civil servant may help to build up a system of unemployment insurance administration which undeniably saves whole districts from starvation. He may, and often does, derive great satisfaction from such work. But in the end the fact that the decay of the present economic system has alone produced the irrational problem of unemployment, which he spends his life in alleviating, should penetrate to his consciousness. Or again, the imperial administrator may help to operate, often with devoted labors, the administrative machine which maintains peace and order in a sub-continent. Many Indian civil servants have up till now felt satisfied by such a life work. But can they ultimately fail to notice that the net effect of their work for the Indian people has been a steady, and now steep, decline in the Indian standard of life?

The truth is that a contracting economic system brings

to nought the best efforts of every type of intellectual worker. If society is confined within ever narrower limits, if opportunities for constructive work grow more and more meager, then the community must needs show those dreadful symptoms of decay which Shakespeare catalogued in his sixty-sixth sonnet:

*And art made tongue-tied by authority,  
And folly, doctor-like, controlling skill,  
And simple truth miscalled simplicity,  
And captive good attending captain ill.*

The frustrations of our epoch, although not yet universal, are growing. Of those who already experience them, communists and socialists ask only that they should not rest till they have satisfied themselves as to their cause. Of those who can still feel that their work is fruitful, we ask them only to notice the prediction that sooner or later their province, too, will be invaded by the symptoms of social decay. They may not believe us now. But we believe that experience can, and will, convince them.

Moreover, over us all, the employed and the unemployed, the prosperous and the destitute, there now hangs the prospect of war. This prospect, as it advances, must tend to prevent all constructive effort. For why should we build targets for the bombs, prevent the tubercle bacillus from destroying lungs destined for the poison gas, or administer with sterling probity the affairs of a city which may soon be uninhabited? If men do not succeed in realizing that there is an alternative social order ready for their construction, they will despair when they realize the gen-



eral frustration which is involved in the decay of the present order. If the best men and women of every class would save themselves from this despair, and from the personal degeneration which such despair brings with it, they must turn their attention to social science. For a science of society has now been evolved which can enable us to be rid of capitalism, and then to lay down social foundations upon which constructive work for the individual will once more be possible.

The best men and women of every class in Britain and America will come to the conclusion that they cannot find a worthy purpose for their lives except by participation in the organized movement to change the world.

NOTE. It may be well to define at the outset how the words *socialism* and *communism* are used in these pages. For the history of both the working-class movement and of the social science which that movement has evolved out of its struggles, may be unfamiliar to some readers. Throughout the last century Marx and Engels used the words *socialism* and *communism* almost indifferently. Moreover, up till 1917 Lenin referred to himself as a socialist or Social Democrat. It was not until the April of that year that he proposed to change the name of the party which he led. He made his proposal in these words: "I am coming to the last point, the name of our party. We must call ourselves the communist party—just as Marx and Engels called themselves communists . . . Mankind can pass directly from capitalism only into socialism, i.e., into social ownership of the means of production and the distribution of products according to the work of the individual. Our party looks farther ahead than that: socialism is bound sooner or later to ripen into communism, whose banner bears the motto 'From each according to his ability, to each according to his needs'." (The "April Theses.")

Socialism and communism are exactly defined in Chapter XII of this book. But already the reader will see that Lenin states that communists are persons who work for the establishment of socialism, and that they call themselves communists rather than socialists for certain historical reasons, and also because they look forward to a state of human society beyond socialism for which they reserve the word *communism*.



### CAPITALIST PRODUCTION FOR PROFIT

---

The economic and social system under which the British and American people now live is commonly called capitalism. By this word *capitalism* we mean an economic system under which the fields, factories and mines are owned by individuals and groups of individuals. These means of production, as they are called, are worked by those who do not own them for the profit of those who do. Under capitalism it is profit-making, not love, that makes the world go round. For it is the expectation of profit which induces those who own the above means of production to permit them to be used.

But profit-making is not only the incentive, it is also the regulator of capitalist production. Under capitalism it is not only the object, it is the very *condition* of production that a profit should result. Those things, that is to say, which will yield a profit can and will be produced, *but those things alone*. For anybody who produces things which do not, either directly or indirectly, yield a profit will sooner or later go bankrupt, lose his ownership of the means of production, and so cease to be an independent producer. Capitalism, in other words, uses profitability as the criterion, or test, of whether any given thing should or should not be produced, and, if so, how much of it should be produced.

Now the test of profitability ensures that those things,

and only those things, for which there is demand shall be produced. Profit is, as it were, a magnet which draws production after demand. For it is profitable to produce those things for which there is a demand, and unprofitable to produce those things for which there is no demand.\*

But things are not either in demand or not in demand. The demand for them varies in strength. Under capitalism it will be profitable to produce more and more of those things for which there is an increasing demand, and less and less of those things for which there is a decreasing demand. Thus our productive resources are continually being pulled by the magnet of profit toward the production of those things for which there is an increasing demand, and away from the production of those things for which there is a diminishing demand.

This is how the capitalist system works. The question is, does it work well or badly? You would certainly suppose, would you not, that such a system as this would work exceedingly well? It seems to contain in this ingenious device of drawing production after demand by the magnet of profit a method of ensuring that all our productive resources should be used to the very best possible advantage. And this is just what admirers of the capitalist system claim for it. They claim that under it just those goods and services which most people most want, and no others, are bound to get produced. And they claim that no other eco-

\* Whence demand comes, and whether it is not largely created by the producers themselves is another matter, and one which the exponents of capitalism have somewhat neglected.

conomic system could possibly produce a more desirable result than this.

Why, then, do communists and socialists wish to abolish capitalism? We wish to do so because we have been unable to avoid noticing that capitalism does not give the above admirable result. The goods which most people most want are not produced. In contemporary Britain and America goods and services, for the lack of which many millions of persons slowly perish, are not produced, and instead goods which only a few people want, and which they want only a little, are produced. For example, it is today unprofitable to produce the additional bread, meat, milk, clothes and houses which millions of British and American citizens desperately need. But it is profitable to produce the foolish luxuries desired by a handful of the very rich. Inevitably, then, so long as we continue to regulate our production by the principle of profitability, the luxuries are, and the necessities are not, produced. We say that there must be something wrong with an economic system which gives results like that. We call this result of contemporary capitalism a gigantic, and very wicked, *misdirection* of production.

Moreover, capitalism now from time to time produces substantial quantities of things which the rich do not want and the poor cannot pay for, and which consequently have to be destroyed. This is a more extreme example of the misdirection of production. Such abominable absurdities as the deliberate destruction of food, when very many people are undernourished, to which it periodically leads,

strike people very forcibly and have been responsible for making many people feel that something must be wrong with capitalism.

But, as a matter of fact, this dramatic type of breakdown is a less serious matter than is capitalism's now chronic inability to allow many of us to produce anything at all. The extent to which the British and American people are now unable to use their productive resources varies greatly from year to year and from place to place. In 1929, for example, the American people probably used their productive resources to the fullest extent that any people have ever been able to do under the capitalist system. But a careful survey\* has since been made, by a number of conservatively minded American economists and statisticians, of what was the actual capacity of the American people to produce, both in that year and subsequently. They estimate that in 1929 the American people used their productive resources to 81% of their capacity. *And in the immediately following years they used them to under 50% of their capacity.* Now in these latter years (1930-31-32-33) the American capitalist system was working about as abnormally badly as it was working abnormally well in 1929. So we may say that the American people are nowadays never able to use somewhere between 19 and 50% of their productive resources.

I do not know of any comparable figures for Britain. But the level of British unemployment gives us some idea

\* Undertaken by the Brookings Institution and published by that institution under the title of *America's Capacity to Produce*.

of the extent of Britain's unused productive resources. Judging by this, and by some other indications, we may guess that the British people have never since the war been able to use as much (81%) of their productive resources as the American people used in 1929, and have never been reduced to using so little of them (50%) as the Americans used in 1931-32. Probably the average proportion of available productive resources actually used, calculated over a number of years, would not work out very differently for the two countries.

In any case, what is the exact percentage of our productive resources which we cannot at present use at all is not the important question. The point is that this proportion has long been, and is now, substantial. For this means that we now lack all the goods and services which these idle resources could and would have produced, if we had used them. The British and American men and machines which have stood idle, and which now stand idle, could have produced those houses, that food, those clothes, those educational facilities, those medical services, etc., etc., for the lack of which either we, or, if we are fortunate, the people whom we see around us, are at this moment suffering so bitterly.

Thus waste is today the most striking of all the characteristics of capitalism. The waste which has resulted from our failure to use at all many of our resources of production is cumulative and has now become almost immeasurable in both Britain and America. We are accustomed to think of it chiefly in terms of the waste of our available

supply of labor, and to call it the problem of unemployment. And, truly, the waste which results from keeping between ten and twenty million British and American workers, many of them capable and industrious, in enforced idleness is the very worst part of the business. For this waste results not only in the loss of the goods which the unemployed would have produced had they been permitted to work; it also results in their own slow torture by destitution, frustration and social humiliation.

These are the reasons why we say that although the British and American capitalist systems of production still work, yet they work in a way intolerable alike for its injustice and its waste. For under them not only do many hundreds of thousands of us British and American citizens work hard all day and every day to satisfy the foolish whims of the rich, while no one is allowed to work at producing the additional food, clothes, houses and the like which by far the greater number of us urgently need; but, worse still, some ten to twenty millions of us are prevented from working and producing at all.

It is this degree of failure in our economic system, and this alone, which keeps by far the larger number of us very poor.

The extent of poverty varies greatly, it is true, between different capitalist states. The present destitution of the inhabitants of many of the capitalist states of the world, such as Poland, Italy, Hungary and many more, can hardly be exaggerated. A famous capitalist economist, John Stuart Mill, suggested that the capitalist use of the marvelous



inventions of science had not lightened the toil of a single laborer by a single hour. In the case of most contemporary states we may add that neither has it put another yard of cloth on to the backs, nor a piece of bread into the mouths, of the greater part of the population. Moreover, even in Britain and America, the two richest capitalist countries of the world, the mass of the population is much poorer than we are accustomed to suppose. In Great Britain two-thirds of the population have incomes averaging £25 (\$125) per head per year.\*

It will always remain impossible for those of us whose incomes are of a different order of magnitude to imagine what this degree of poverty means in terms of the restriction, embitterment and stunting of the possibilities of human life. But, at any rate, we can all grasp this essential fact: *the ocean of human suffering involved in such poverty is now totally unnecessary*. It is a result, not of an inability to produce an adequate supply of goods and services, but of the failure of our existing economic system. For that system does not allow us to use one part of our

\* According to a calculation made by a well-known statistician and economist, Mr. O. R. Hobson, and published in *Lloyd's Bank Monthly Review* for July, 1934. This means, the reader will observe, that a family of four will have an income of £100 a year or just under £2 a week. As Mr. Hobson's conclusion is startling, it may be well to quote his calculation in full.

"The National Income of Great Britain and Northern Ireland is estimated at about £3,400,000,000, equivalent to £74 per head of the population, a figure which does not suggest that the danger of inconveniently large production is very imminent. But of this £3,400,000,000, about £2,550,000,000 represents income belonging to income-taxpayers—for this is the amount of 'actual income' assessed to income tax in 1932-3, and the 'actual income' figure of the Commissioners of Inland Revenue has been shown by Professor Bowley and Sir Josiah Stamp to be very close to that part of the



productive resources at all, and so misdirects the use of the other part that it largely fails to satisfy human needs.

The simple truth is that general plenty and security are now possible in both Britain and America. It is not, I think, possible to foretell with scientific accuracy exactly what standard of life the British and American people could provide themselves with if they used their productive resources continuously for the purpose of the satisfaction of their needs in the order of their urgency. We do now possess, however, in the case of America, an interesting estimate on just this point. In the year 1934 the government of the United States of America appointed a committee to enquire into the capacity of American industry and agriculture to produce goods and services. In February, 1935, this committee issued its report.\* *It found that every family of four persons could provide itself with an income of \$4,400 (about £915) a year, at 1929 prices, if America's productive resources were used to the full and their product equally divided among all families.*†

'National Income which accrues to the income-taxpaying class.' Thus the aggregate income of the class below the income-tax exemption limit (£100 assessable income, equivalent to £125 earned income) was, say, £850,000,000. Now the total number of income-taxpayers in 1932-3 was 3,500,000, and if we assume that each of these has, on the average, two-and-a-half dependents, we arrive at the figure of 12,250,000 as the number of persons in the 'income-taxpaying class.' Subtraction from the total population of 46,000,000 therefore gives the number of persons whose incomes are below the exemption limit as 33,750,000. Dividing this last figure into the residual income of £850,000,000 we have a figure of approximately £25 as the average annual income per capita of the non-income-taxpaying classes."

---

\* This was the preliminary report issued under the title of *The Chart of Plenty* (Viking Press, New York City) by "The National Survey of Potential Product Capacity."

† And *pro-rata* for larger and smaller families.

In the next chapter we shall discuss the extent to which this estimate is true, or rather, we shall discuss the conditions under which it is alone true. Speaking very broadly, however, this estimate is true. All sorts of circumstances, foreseeable and unforeseeable, might affect in one way or another the exact level of the standard of life with which the British and American people could provide themselves.\* But what we are concerned with is not the exact figure arrived at—\$4,400, or \$5,000 or \$3,500 a year—as the income now possible for all American families of four persons. What we are concerned with is the broad fact that the people of such highly developed countries as Britain and America could unquestionably now provide themselves with secure incomes of this order of magnitude—with the type of incomes now enjoyed by the middle sections of the professional classes. We are concerned with the fact that this conclusion cannot now be denied by anyone who takes

\* The above estimate is, however, the result of a detailed, thorough, and skillful investigation undertaken by a large team of able American statisticians working for many months. It cannot be brushed aside, as every capitalist apologist has attempted to brush it aside, except by critics who have undertaken a comparable enquiry.

† Again, less for families of under four persons, and more for families of over four persons.

‡ It may be suggested that the attainable level would be much lower in Great Britain than in America. In the absence of any statistical survey comparable to the above-mentioned American report, it is impossible to do more than speculate as to what a British estimate would work out at. I am inclined to think, however, that net British productive capacity is nearer the American level than is often supposed. An experienced Cambridge economist makes the following estimate of the unused productive resources at present available to the British people.

“It seems hard to believe that the total reserves which could be speedily drawn upon could be *less* than between 30 and 40%. It might even prove

the trouble to investigate the extent and nature of our available productive resources.

Let us pause a moment upon this conclusion. General plenty, an average level of income for all families<sup>†</sup> of the order of magnitude of from \$3,500 to \$5,000 a year, instead of from \$375 to \$1,000 a year, as at present, is now possible in all highly developed countries.<sup>‡</sup> We cannot know what would be the exact effect of this total abolition of poverty. But we do know that it would transform human life.

Unnecessary destitution is not the only disastrous effect produced upon us by the malfunctioning of capitalism. Almost more than plenty itself, the people of Britain and America desire security.

Their lives are dominated even more by the fear of want than by want itself. The people of Britain and America, with the exception of the very small minority of the

---

to be considerably more. Even if we take our very cautious minimum figure of 30%, this would mean a potential increase of production equivalent to something in the neighborhood of £1000 millions, or an addition of something in the nature of 10s. per week to every working-class man and woman and child, or an additional income of some £70 a year to every wage-earner and small-salary earner."

(*Britain Without Capitalists*. Martin Lawrence.)

The reader will notice, however, that his calculation is not comparable with the American calculation, for it allows for no redistribution of income from the richer third of the British population. Moreover, as we shall discover in the next chapter, the two estimates proceed from fundamentally different premises. The British estimate is comparable with another American estimate made by the aforementioned Brookings Institution. It is incomparable with the National Survey of Potential Product Capacity, in that this later estimate, alone, allowed for the conscious re-allotment of factors of production having alternative uses, *i.e.*, planning. But see Chapter III.

securely rich, and of the larger minority of the actually and presently destitute, live under the more or less imminent, and always awful, threat of destitution. The way in which we now organize our economic life results in an extraordinary, and now ever-increasing, degree of instability and insecurity for the whole population. Those who live on the weekly wages paid by industry, the smaller, independent owner-producers, such as the farmers, and the professional workers of all kinds, have this at least in common: they all live under the fear of the disappearance of their livelihoods. And substantial numbers of them do continually suffer this terrifying loss. For the violent and unpredictable fluctuations of trade which now more and more characterize our economic system fling about and capsize their little enterprises as row-boats are tossed by the Atlantic.

The loss of a man's livelihood, although it does not in contemporary Britain and America usually involve his family in actual starvation, does usually render it destitute. In Britain and America the millions of the destitute are fed, and to some extent clothed. But its amount, the uncertainty of its receipt, and the onerous restrictions which it carries with it, prevent the relief which is given them from effectively mitigating the fate of those who lose their opportunity to work and earn. They do not, for the most part, quickly die; but their lives become so miserable that the dread of this fate is today the haunting companion of almost everyone outside the small class of the securely rich.

Our psychologists should, but do not, inform us of what is the effect upon the psychological stability of our communities of thus keeping the greater part of the population in anxiety for their very livelihoods. The larger part of mankind is thereby reduced to a condition of terrible, childish helplessness. Contemporary man fears, and has good reason to fear, social forces which he does not comprehend, far less control. The medieval peasant, the savage huntsman even, knew no such helpless insecurity. They had to contend with the drought, the flood and the storm; but the forces of nature were kinder than the forces of man.

Whichever of the other ills of men are inevitable this extraordinary economic insecurity is needless. The proposition that we could all now provide ourselves with plenty is disputable (it is, at any rate, sometimes disputed). Or, to put the matter more precisely, the particular standard of life which our existing means of production would make it possible for us all to enjoy, if we used them to the full, is disputable. But what is not disputable is that we could use our existing means of production to give us all *some* definite, stable and secure standard of life. There *can* be no necessity for the sickening oscillations of our present economic system. There *can* be no necessity suddenly to leave great parts of our productive apparatus idle, and many millions of ourselves unemployed and destitute.

It is true, however, that the inability of capitalism to realize the dazzling possibilities of plenty and security which are now open to the British and American people is

not, and never will be, a sufficient cause for their abandonment of that economic system. We live in poverty and fear when we could live in plenty and security. But this is not in itself enough to make us act.

The true alternative which faces us, however, is not one of continuing in our present conditions, or achieving much superior ones. The truth is that we must attain security and plenty or suffer the rapid growth of every form of that fear and destitution which already ruin the lives of so many of us. For the existing evils of our societies are the result of certain features of the capitalist system which cannot be eradicated, but which must, on the contrary, grow more and more pronounced. Moreover, it is in the nature of capitalism to produce, not only unnecessary poverty and insecurity, but also certain other and far more rapidly disastrous consequences. It is of the nature of capitalism to produce civil conflict and international war. Communists and socialists propose, then, that we should rid ourselves of capitalism, not merely because it denies us a now plainly attainable plenty and security, but more especially because it is now visibly about to destroy us in the social and international violence which it generates.

But is there an alternative to capitalism?



## SOCIALIST PRODUCTION FOR USE

---

We cannot reject capitalism unless we have some effective substitute to put in its place. Unless it can be shown that a workable alternative exists, denunciations of the evils of capitalism are vain and empty.

For every society must possess some way of organizing its economic life. If there were no practicable alternative, we should have to put up with the existing way, no matter how unjust, how wasteful and how finally catastrophic were its results. Hence before we go on to discuss the political and social systems, and the cultural and ethical values, associated respectively with capitalism and socialism, we must give a clear account of the economic ground plan of a socialist society. For "human beings must first of all eat, drink, shelter and clothe themselves before they can turn their attention to politics, science, art and religion." \* Thus we shall have to plunge at once into questions of economics. For not until these questions have been given satisfactory and convincing answers can we go on to a description of the whole structure of socialist society.

The essential economic problem of socialism is this: If we are not to settle the question of what goods and what quantities of goods are to be produced, by producing only those which yield a profit, how are we to settle it? For settled it must be.

\* Frederick Engels' speech beside the grave of Marx.

If we reject the self-acting mechanism of profitability as too unjust and too wasteful, we must find some other mechanism of regulation. The sole alternative method by which complex, highly developed, economic systems such as those of Britain and America can be regulated is by means of the deliberate decisions of some central body as to what goods, and how many of each of them, shall be produced.† The organization of production by means of such conscious decisions is called a system of "planned production for use." This is the type of economic system now being built up in the Soviet Union. It is socialism.

The best way to define the principle upon which a socialist economic system works is not to discuss socialism in the abstract, but to describe a particular system of planned production for use, worked out for Britain or America, or some other such highly industrialized community.\* In Britain and America we still organize our economic life on the basis of the capitalist system of production for profit. But this does not make it impossible to prepare a survey, or catalogue, of the productive resources of either country and to estimate what results, in terms of quantities of goods and services, these resources would give

† A failure to realize that the provision of some regulating principle is a necessity for every productive system is the basic defect of all the various credit and currency reform schemes for abolishing the evils of capitalism without abolishing capitalism itself. Such schemes all in one way or another destroy, or gravely impair, the regulating principle that only what is profitable shall be produced, and fail to put any other regulator, such as that provided by the conscious planning of production, in its place. They ignore the fact that the imposition of the penalty of loss for making things that are not in effective demand is just as essential a part of the regulative mechanism of capitalism as is the provision of profit for the producer of



us if they were used on the basis of planned production. And in the case of America such a draft economy has actually been made, *although unintentionally*, made by the aforementioned authors of the "National Survey of Potential Product Capacity," who came to the conclusion that every American family of four might have an income of \$4,400 a year.

This group of American statisticians and economists set out with the limited purpose of discovering what was the real productive capacity of American industry and agriculture, without reference to any particular economic system. Their enquiry was to be, they imagined, strictly technical and statistical. Nothing, surely, was farther from their thoughts, or from those of the American government when it appointed and financed them, than any idea of demonstrating how a planned economic system—how, in other words, socialism—would work in the United States of America. And yet this is just what they did demonstrate. It will be worth our while to enquire how this misadventure occurred; to observe how the N.S.P.P.C. investigators were led on, by one problem raising another, to elaborate the ground plan of a socialist America. For by so doing we

---

things for which there is a demand. These schemes, by making all production profitable, would destroy the one governor which the system possesses, and so would produce complete chaos.

\* We shall of course have a great deal to say about the Soviet economic system. But there is an objection to using it as our first example of a socialist economic system. For we are seeking for an alternative economic system for two of the most highly developed and industrialized countries in the world. It may be felt therefore (though incorrectly) that any economic system which has been built up in the very different conditions of the Soviet Union has only a remote relevance for us.

shall stumble, as they did, upon one after another of the economic problems involved in the establishment of a socialist economic system. Moreover, we shall not only raise these problems, but we shall see how they can be solved in practice.

The authors of the N.S.P.P.C. report had been appointed by the American government in order to discover, we repeat, what was America's total productive capacity. They interpreted these terms of reference to mean what was the capacity of the American productive system to satisfy the needs of the American people. This naturally involved ascertaining what the needs of the American people were. But that did not seem difficult. In 1933, when the investigation was started, the American people seemed to be short of a great many prime necessities, such as food, clothes and shelter.

Let us take the example of shelter. Fifteen and a half million new dwellings were needed, it was estimated, to satisfy the American people's need for shelter. The building of this number of dwellings would, to be more precise, enable every American family of four to have a home of from five to six rooms equipped with modern conveniences.\* It would be reasonable to build them, the report estimated, under a ten-year building program (involving the erection of 1,550,000 dwellings a year). But did there, or did there not, exist the productive resources necessary to enable the American people to build 1,550,000 dwellings a year? Was there enough labor, enough brick,

\* And *pro-rata* for larger and smaller families.

enough steel, enough power, enough of everything needed? This question clearly involved another. Of course there was enough of these productive resources, if none of them was used for any other purpose. Clearly, however, some resources had to be used for other purposes. You cannot divert the whole of a community's available labor, for example, to building dwellings. You will starve if you do. Sufficient labor, sufficient steel, sufficient power, and sufficient everything else, has to be left to satisfy all the community's other equally urgent needs—such as the need for food and clothes—and for that matter, in practice, for transport, education, amusement and many other things as well.

So the question had to be re-stated thus: Would there be enough productive resources left over, *after the other equally urgent needs of the American people had been satisfied*, to enable them to build 1,550,000 dwellings a year for ten years? And this question, in its turn, clearly depended on what you meant by "equally urgent" needs. *How, in a word, was the question to be decided as to what uses the American people's productive resources were to be put, and who was to decide it?* For, when you come to think of it, most productive resources have alternative uses. You can use the labor of a given number of workers either to grow food or to build houses; you can use a given supply of copper either for domestic plumbing or for making locomotives. You can use so many units of electrical energy either to drive the machinery of a steel

mill or to light dwellings. *But you cannot use any of these things for both purposes simultaneously.*

Let us take a particular example. One of the productive resources needed for building 1,550,000 dwellings a year is structural steel. Would there be, the N.S.P.P.C. authors enquired, enough structural steel left over from other equally urgent work for the job? At once we are led to ask whether all the uses which actually were made of the available structural steel were as urgent as building dwellings. Now in 1929 a very high proportion of America's output of structural steel was used to build skyscrapers, mainly intended for offices. And the authors of the N.S.P.P.C. report could not help noticing that what the American people seemed to need was not office skyscrapers, but dwellings. A substantial proportion of the American people were (and still are) housed in the most wretched kinds of run-down, tumble-down, unsanitary and overcrowded slums and shacks. And, on the other hand, nothing was more notorious than that nobody needed more office accommodation. For a high proportion of the recently built skyscrapers stood empty, while those that had filled up with tenants had done so by emptying the surrounding office accommodation of theirs. Yet in 1929 most of America's structural steel was being used to build still more office skyscrapers. The authors of the report found this situation very peculiar, because they, like the rest of us, had been brought up to believe that the fact that effective demand in 1929 had been for office skyscrapers, and not for dwellings, was proof that what the

ill-housed and over-officed American people truly wanted and needed were office skyscrapers, and not homes. And this they found incredible.

Their next discovery was that even in the boom year of 1929 the American people only used their steel plants to some 84% of their capacity. (In 1932 they used them to under 20% of their capacity.) If, in 1929, the Americans had chosen to use their capacity to produce steel to the full, they would have been able to turn out, among other forms of steel, another 8.7 million tons of structural steel. Hence this question arose for the authors of the N.S.P.P.C. report. In calculating how much structural steel could be made available for building dwellings, would you, or would you not, have to reckon that the American people would have allotted the same high proportion of this extra 8.7 million tons of the stuff, had they produced it, to building office skyscrapers?

If you followed the guidance of demand you would have to assume just that. But if you did so, not enough structural steel would be left over to build the 1,550,000 dwellings a year. The authors of the report found it impossible to believe that the American people's real needs included a yearly output of *even more* towers than had been built in 1929. Surely these had been enough, and too many? Why not, then, assume that if the 8.7 million tons extra of structural steel had been produced they could almost all have gone to building dwelling-houses? Why not indeed? The authors of the N.S.P.P.C. report made this assumption. It was one of the assumptions upon which they based

their conclusion that every American family might have enjoyed that standard of life which was actually enjoyed by those families which had incomes of \$4,400 (£915) in 1929. (For that is another way of putting their main conclusion.)

Now at first sight this action on the part of our ingenious authors may seem to have been innocent enough. But innocent it was not. For the assumption that almost all the extra structural steel, which would have been produced by the capacity working of the American mills, could have been used for building homes, involved the conscious and deliberate re-allotment of resources of production between alternative uses. *And to do this is considered to be economic original sin. For it means breaking irrevocably with the capitalist system, the test of profitability, and the self-adjusting mechanism which this test provides.*

For see what our authors have taken upon themselves to do! They have decided that it would be better to use more of the available supply of steel for building dwellings, and less for building office skyscrapers. But the reputedly infallible indicator of demand showed that what the American people wanted were skyscrapers, not dwellings. Who made the authors of the N.S.P.P.C. report, the defenders of the capitalist system may object, into rulers and judges over us, to say how we should or should not use our available supply of structural steel?

Moreover, these authors did not content themselves with re-allotting the available supply of structural steel as between skyscrapers and dwellings. *For as soon as the*



*capacity of the American people to provide themselves with food, clothing, automobiles and a hundred other kinds of goods and services was investigated, it became apparent that it was impossible to say to what extent their needs could be satisfied, unless the investigators could decide, not only the productive capacity of America's basic industries, but also what use was going to be made of the products of such basic industries.* Accordingly, they re-allotted all the extra supplies of raw materials and semi-finished goods which the capacity working of America's basic industries would have produced; they allotted these extra supplies, not in proportion to the uses which actually were made of such goods in 1929, but to other uses which the authors of the report thought more desirable.

But how, we ask at once, did they decide what were the more, and what the less, desirable uses for these supplies? They evidently worked on the assumption that it was more desirable to use available supplies in the way which best satisfied visible and urgent human needs, such as the need for decent dwellings to live in; that it was less desirable to use them in a way that satisfied less urgent human needs, such as the need to have towers to look at. But now we see that the authors of the report took upon themselves no less a task than to decide upon the relative urgency of human needs—in plain language, to decide what people really wanted to have.

Before they had gone very far with their investigation they found themselves working out a comprehensive budget of the needs of an American family. Then they

worked back, through the productive system, and enquired whether or not there existed resources of production which could be used to supply the goods and services necessary to meet these needs. They came to the conclusion that such resources did exist. But some of these resources would have to be re-allotted from their existing uses *and used according to a plan. They would have to be used according to a plan which provided that the available raw materials and semi-finished products should be finally fabricated into the particular goods, and no others, which they had laid down in advance when they made out their family budget.\**

Now when our intrepid authors compiled this budget of human needs, they did something which almost every economist of almost every British and American university has declared to be impossible. It is quite impossible, say these authorities, to make any estimate of people's real needs. The multiplicity of human needs and the variety of human desires are so great, they continue, that it is quite impossible to *foretell* what people will want, and so consciously to plan production in advance. The only practicable procedure is our present one, namely, to allow people to express their wants by making money offers for particular goods and services, and then to allow production to adapt itself, by means of the pull of profit and the push of loss, to this ever-changing demand. If this method results

\* As a matter of fact, they only re-allotted the extra semi-finished products which would have come into being had America's basic industries been used to capacity. But once any conscious re-allotment of factors is allowed, the principle is the same.



in most of the community's structural steel being used to build useless skyscrapers, so that millions of its citizens must continue to live in slums, if it results in an important proportion of our productive resources not being used at all, so that we starve amidst potential plenty, well, this is unfortunate. But, say the economists, it cannot be helped. To cut across the free play of demand and supply involves attempting to dictate to people what they should buy; it involves forcing them to buy what you think they ought to have, instead of what they really want.

The reader will see that if we apply this argument to our wants in general, and not merely to the question of shelter, it does not lack plausibility. It does seem a rather arbitrary proceeding to draw up a budget of food, clothing, housing and everything else, for everybody, and say that these things, and consequently nothing else, shall be produced.

And yet this is just what the authors of the N.S.P.P.C. report found, greatly to their surprise, no difficulty in doing. Here is their description of how they did it.

Strange as it may seem, it is easier to determine human needs than it is to determine the ability of society to extract raw materials. On the average, people of a given culture eat only so much food, wear out only so many clothes, live in only so many rooms. If "scarcity values" (of works of art, etc.) are excluded from consideration—and they naturally fall outside the scope of our study, since our concern was with physical quantities—the amount of goods and services the population would like to consume can be calculated with an accuracy far greater than the

accuracy with which we can determine the possible output of any industry.

In the case of food, for example, we employed the budget sponsored by the Department of Agriculture, adopting the preferred schedule, "the liberal diet," as a criterion of the desirable individual consumption in various foodstuffs.

In clothing, we based our budget on the actual expenditures of the professional classes in the San Francisco area.

In housing, we merely assumed that the American family would like to live in a modern five- or six-room house or its equivalent (apartment, renovated old mansion, or the like), fully equipped with the best labor-saving devices, and that the single individual in the city would continue using smaller apartments.

For medical care, we took the advice of the medical authorities in regard to what was needed to care properly for the American people.

In education, our budget was set by authorities at Teachers College, Columbia University; in recreation, we were governed by the existing taste of the people.

*(The Chart of Plenty, pp. 9-10.)*

And so on through the list of all the main classes of goods and services which human beings consume.

Now there seems nothing arbitrary about this procedure when we see it in practice. It does not seem as if the N.S.P.P.C. authors were ordering us to consume just those particular commodities which they thought we ought to consume, and no others. How has the arbitrary element been avoided then? How were our authors able to make up a budget of needs, the satisfaction of which would certainly mean a very decent, civilized life for any family?

Two considerations made it possible for the authors of the N.S.P.P.C. report to show how the planning of the economic life of a great industrial nation could be accomplished. And these same considerations, after the abolition of capitalism, will make it possible for a British or American planning commission actually to do the job.

The first factor which makes possible the estimation in advance of consumers' real needs is the fact that we know what people have consumed up till now. There is little difficulty in discovering how much food, medical attention, education, clothing, etc., etc., the population has consumed in the past year. We know that this standard of consumption was unsatisfactory. Still, it gives us a basis to go on. We shall be able to plan the production of additions to, or alterations of, the quantities of each commodity consumed last year. We shall budget for an increase of so many million tons of meat, and of so many million houses, and a decrease of so many hundred skyscrapers. We shall not, in other words, have to start from scratch and think up what a typical family ought to consume. We know already what they do consume, and we shall have to estimate merely what more they would have liked to consume.

The second factor is the existence of a certain number of families who can now buy the things which they need and want. The consumption of the immense majority of families is most unsatisfactory; but there do exist in our modern communities certain classes of people whose consumption is quite satisfactory. We are not thinking of the very rich, whose consumption is of a peculiar and fantastic

nature, but of the professional classes in prosperous times. Thus, if we want to know what the mass of the population would consume, by way of food, clothes, transportation, or anything else, if only they were better off, we naturally look at what those families which *are* now better off actually do consume. Thus we notice that the N.S.P.P.C. authors have guessed that if the whole American people could buy all the clothes they need, they would in fact buy the same amount and kind of clothes which the professional classes in and around San Francisco did in 1929 actually buy and consume. And we can, surely, agree that this is a reasonable assumption.

*With the aid of these two guides it is possible to estimate what people would like to have produced for them, and then to allot the available resources of production in such a way that this quantity of goods and services will be produced. It is undoubtedly possible, that is to say, to meet and satisfy people's needs by this method, instead of by the present method of allowing production to follow the pull of demand.*

Let us envisage how the first budget, or plan of production, giving what is, in effect, a list of all the goods and services which are to be made available to the population, will be compiled in a socialist Britain or America. This first budget will be based upon the existing output of such goods with the additions indicated by what the better-off classes do now consume, and the realization of this production program will be made possible by utilizing those productive resources at present grossly misdirected, or unused

altogether, by capitalism. But only the first budget need be made up in this way. All subsequent budgets will be merely corrections of the miscalculations discovered in the first. For miscalculations there will certainly be. The planning authority will be sure to provide, say, too many new automobiles and not enough radios, or too many transport facilities and not enough sports clothes, etc., etc. Such errors will show themselves in that at the end of the year some automobiles, for example, will be left over, while the stock of radios will be exhausted before the end of the year.\* But this error will not be allowed automatically to affect the respective prices of the two goods, raising the price of radios and lowering the price of automobiles. Their respective prices, which will be based upon their respective costs of production, will be varied only by the conscious and deliberate decision of the planning authority.

The following year † the planning authority will arrange for the production of more radios and fewer automobiles. In order to do so it will have to turn certain productive resources (in this case metal, skilled labor, assembling plants, etc., etc.) which have been making automobiles on to making radios. Year by year there will have to be corrections of this kind.

\* For clarity's sake we are oversimplifying the picture. In practice, of course, it would be a question of a continuous flow of production in each case—the flow being insufficient to meet the demand (at the prices fixed) in the case of radios and over-sufficient in the case of automobiles. But the essential point is the same: the correction of this state of things will be made in a planning economy not by the price of radios automatically rising and the price of automobiles automatically falling, but by the conscious decision of the planning authority.

† Again the adjustments will be in practice continual and therefore slight.

Such corrections will have to be made not only in order to remedy errors and miscalculations upon the part of the planning authority, but also in order to meet the development of new methods of production and the changes in public taste which will be associated with these developments. For we must not think of the budget of human needs which the planning authority will draw up as something fixed or permanent. On the contrary, human needs develop *with* the capacity to satisfy them. The planning authority will constantly have to allocate productive resources to new purposes in order either to fulfill some new need (e.g., for the widespread ownership of private airplanes) or to fulfill an old need in some new, more efficient and economical way (e.g., the production of one or other of the basic foodstuffs synthetically).

No planning authority will perfectly perform these functions. But it is impossible to believe that even in the very first year, and even if the planning authority is composed of the most fallible of fallible human beings, it can fail to provide for human needs to so gross an extent as does the capitalist principle of regulating production by profitability. However serious were the mistakes of the planning authority, it *could* not achieve such grandiose misdirections of production as does capitalism. It could not do anything so insane or so horrible as to produce a plethora of yachts and beauty parlors while millions of men and women lack for food and shelter; it could not succeed, as does our present system, in *simultaneously* torturing the



town workers with a lack of bread and ruining the farmers by a glut of wheat.

The authors of the N.S.P.P.C. report provided us with a demonstration of an exceedingly important economic principle. They did so when they decided that, in order to carry out their instructions to estimate America's capacity to produce wealth, they would have to make out a budget of the real needs of the American people, and to re-allot resources of production to meet these needs. For by doing these two things they, in effect, made an outline One-Year Plan for America. This was their great achievement.

Their detailed demonstration of how a One-Year Plan of production for great industrial communities such as the United States and Britain could be, and will be, compiled is of unquestionable value. For it shows far better than could many pages of argumentation how socialist economic planning is done. It shows in particular and convincing detail how it will be possible to organize mighty and complex economic systems of production for use, and so establish general plenty and security. It shows what we could put in the place of the now grossly defective test of profitability as the regulating principle of production. We must certainly assume, however, that the N.S.P.P.C. authors' demonstration of the possibility of planned production for use was accidental. For if it were intentional they could be accused of using the money of the government of the United States in order to demonstrate the practicability, and the extreme desirability, of that system of production favored

by communists and socialists! And I would not dream of bringing this serious allegation against Mr. Loeb (the leader of the investigation) and his associates. No, let us assume that when they wrote the sketch of a One-Year Plan of production for America they did not know what they were doing. By the end of their report they had been talking pure socialism for two hundred pages. But like M. Jourdain in Molière's play, they knew not what they did.



## PLANNING

---

This, then, is how a socialist economic system works. This is how a planning authority settles the relative proportions in which consumers' goods (as they are called) shall be produced. A planning authority has another task, however. There is another proportion which must be decided upon, either by the play of the market, as under capitalism, or by the conscious decision of a planning authority. And this is the proportion between the quantities of consumers' goods, on the one hand, and of means of production, on the other, which shall be produced in any given year.

Consumers' goods are, as their name implies, the things which we all consume, boots and shoes, milk and meat, and the like. Means of production, on the other hand, are the things which produce the consumers' goods, things like lathes and cranes, machine tools and power stations, goods which no one can consume, in the sense of satisfying their wants directly from them. Now every society must produce some consumers' goods, or it will immediately starve to death, and some means of production, or it will be unable to go on producing consumers' goods, and will ultimately starve to death. We may put it like this: a community must divert at least enough of its productive resources to making means of production to prevent its existing stock from wearing out quicker than it is being replaced. But a community *may* devote a much higher proportion of its re-

sources than this to making means of production. And it may be well worth its while to do so, if it can replace its present stock of means of production with very much more efficient ones.

But to do so inevitably involves, under either capitalism or socialism, putting up with a lower output of consumers' goods than could have been produced, even with the old outfit of means of production. For a community has only a certain limited supply of labor, raw materials, organizing skill, transport services, and the like, and these resources can be used either for producing new consumers' goods or for producing new means of production, but not for both tasks simultaneously.

Here, then, is a very real choice which faces any community. We may express the choice like this. How much of its resources shall the community devote directly to satisfying its needs here and now, and how much shall it devote to building up means of production which will in the future, but only in the future, satisfy those needs far more plentifully? It is a case of how many birds in the bush of the future are worth the foregoing of one bird in the hand of the present. It is a question of balancing the foregoing of immediate satisfactions for the sake of being able to provide satisfactions more plentifully later on.

Every community in which the means of production are developed must make this choice, no matter what is its economic system. And its freedom of choice is wide. On the one hand, a community may divert from the immediate production of consumers' goods and services only enough

resources to prevent its productive plant from falling into decay; or on the other hand, it may leave only enough resources for the production of consumers' goods to provide itself with subsistence rations.

Let us now see how the two economic systems under discussion settle this question.

The capitalist system of production for profit claims to provide an automatic method of settling this question also. The proportion in which a capitalist community makes consumers' goods and means of production is settled by the proportion in which its citizens spend and save their money incomes. For when a man saves he does not throw the money down the drain; he invests it. And investing money means, if you think of it, buying means of production instead of buying consumers' goods. When, for example, an investor buys shares issued by a company which generates electrical power his money is used to buy a turbo-generator, or some transmitting cable, or means of production of some kind. But if he had spent his money he would have used it to buy units of electrical power or some other kind of consumers' goods. Hence the more people save, and the less they spend, the larger is the demand for means of production, and the smaller is the demand for consumers' goods (and vice versa). And productive resources, led by the magnet of profit, follow the pull of demand, and move, in this case, away from the making of consumers' goods, to the making of means of production.

Now this part of the self-regulating mechanism of capitalism is often criticized by the experts of that system them-

selves. The regulation of the proportionate output of consumers' goods and means of production by the proportion of savings to spending works most erratically. However, it does, in a sense, work. The question is settled; but once again it is settled without the conscious decision of the community as a whole, or indeed of any individual or group of individuals. Once again the thing just happens. For the proportion in which the whole community spends and saves its income depends upon the decisions of innumerable individuals and corporations. Nobody decides upon this proportion. It is the blind result of the balancing of millions of different decisions. Under capitalism we make, and can make, no attempt to decide this vital question. We have to leave the matter to be settled for us by the play of forces which are outside our control.

A socialist economic system, however, must settle this question by the conscious, deliberate decision of a planning authority, set up and controlled, of course, by the whole community. If, in this matter also, we cease to rely on the pull and push of demand shifting our resources of production *from* the sphere in which their use is less profitable *to* the sphere in which it is more profitable, we must deliberately decide on where they are to be used.

A socialist planning authority will have, then, as one of its primary duties, to decide how much of the available labor supply, raw materials, transport facilities, and the like, are to be used for producing new plant and machinery and how much are to be used for directly satisfying the community's immediate wants. For example, a

planning authority which had control over America's productive resources in 1929 would have had to decide not only how much of the available supply of structural steel to use for building office skyscrapers, and how much to use for building dwellings, but also how much to use for providing these two kinds of consumers' goods taken together, and how much to use for building new steel mills. For only by building new steel mills could the total supply of steel available in future years be increased.

It at once occurs to us to ask how the authors of the N.S.P.P.C. report solved this question. They did so quite simply by providing for the production of the same amount of new means of production as actually were produced in 1929. They assumed, in other words, that the American people would go on replacing and developing their productive plant at the same rapid pace as they were doing in 1929. And they were able to show that the American people would still have enough productive resources left to provide every family of four with consumers' goods represented by an income of \$4,400 (£915) a year at 1929 prices.

This was, for their illustrative purposes, a reasonable assumption. When, however, a real planning authority comes to allocate the American, or the British, people's productive resources to the best advantage, it will not necessarily adopt this particular proportion. Such an authority might be instructed that the British or American people preferred to replace and develop their productive plant at a slower pace than they were doing in 1929. In that case the

amount of consumers' goods and services which could be immediately provided would be increased, although the rate at which this figure could be still further raised in future years would be slower. Or the British and American people might decide to instruct their planning authority to devote a higher proportion of the community's productive resources to making means of production than was done in 1929. In this case the initial income with which they could provide themselves would be lower, but it could be raised more rapidly in future years. Their decision will depend, no doubt, on the circumstances of the time.

Now it will not matter very much which course the British and American people take (within the obvious limits of, on the one hand, providing themselves with enough consumers' goods to live on, and, on the other, of replacing their productive plant at least as rapidly as it wears out). What is vital is that they will have brought this decision under their conscious control. For one of the factors which makes our present system work so ruinously is that we leave this proportion to be determined by blind and violent fluctuations in the relative expectation of profit in the two spheres of production.\*

What is to be the proportion between the output of means of production and consumers' goods will not, then, be a particularly difficult question for a British or American planning authority to decide. But this will be so only

\* We shall see in Chapter VIII how the capitalist method of distributing income is today the controlling factor in the determination of this fundamental proportion. And we shall see how the present difficulties of capitalism are intimately related to this point.



because the British and American people are already well equipped with productive plants. No urgent need for new means of production will face a British or American planning authority. It may devote a high proportion of the productive resources which it finds available to the urgent task of satisfying at once the miserably unsatisfied need for consumers' goods of the mass of the British and American people. On the other hand, if for some reason the planning commission thought it advisable to devote a comparatively high proportion of our available productive resources to providing new plant and equipment, this could be done without any very grave sacrifice in the standard of life. It would involve at worst a postponement of any immediate increase in that standard above a level of health and decency.

But this enviable situation is not shared by a planning authority in an undeveloped or technically backward community. Such an authority faces a hard choice. Either it must reconcile itself to a very slow rate of technical progress or it must call on the community to forego for a time all but the most necessary consumers' goods and services. For only so can it free labor and factories, skill and equipment for the production of new means of production.

As in so much else, so in the process of industrialization it is the beginning which is difficult. For then the productive equipment available either for producing consumers' goods or means of production is primitive, inadequate and inefficient. Yet if this situation is to be remedied, better plant and equipment must be built up with this primitive

equipment. Unskilled labor, obsolete machines, meager transport facilities have to be diverted from the task of supplying the population with consumers' goods (and they are inadequate even for this task) to the task of replacing themselves with modernized means of production. The obsolete steel mills must make steel, not for houses or skyscrapers, or automobiles or railway trucks, but for building modernized steel mills. Of the few available skilled engineers, many must be taken off production altogether and used to staff the colleges in which a really adequate number of engineers may be trained. Railways, already unable adequately to move the harvest and distribute the flow of consumers' goods from the existing means of production, must be used to carry huge quantities of constructional material for the building of new plants. The task of a planning authority in such conditions is really difficult; its choice must necessarily be to some extent a choice of evils. And these have been just the conditions faced by the only planning authority which has so far existed in the world; namely, the State Planning Commission of the Soviet Union.\*

Again and again the Soviets, acting through this commission, have had to face difficult decisions on exactly this point. How big a proportion of their existing productive resources could they deflect to the task of building up new and far superior means of production, while leaving enough resources to produce a supply of consumers' goods

\* The State Planning Commission is, of course, merely the executive instrument of the Soviet Government, which is in turn the executive instrument of the federated peoples of the Soviet Union.



adequate to feed, clothe and house the population? Political and military considerations imperatively demanded, upon pain of the destruction of the whole socialist system by foreign intervention, the utmost possible speed of industrialization. The resources initially available were tragically small. It was decided to apply an unparalleled proportion of them to the process of their own development. The first steps of such a process were bound to be painful. With every year that passed, however, the sum total of available resources grew. Hence what proportion of them should be used for making new means of production became a less acute question. It was only, however, in 1935 that the Planning Commission found itself with margins of resources which it could turn at will in either direction.\*

An extraordinary misapprehension exists in connection with this question. We have seen that the backward condition of Russian industry constituted a most formidable obstacle to the establishment of a planned economic system of production for use. It meant that a comparatively small increase in the output of consumers' goods could be immediately achieved by the Russian people, since every available productive resource had to be utilized for the creation of new means of production. Yet again and again we see it stated that this frightful difficulty was a great asset; that it alone made possible the establishment and successful working of a planned socialist system in the

\* Indeed, it was not until 1936 that the first really sharp rise (30% as against a previous annual increase of about 16%) in the output of consumers' goods was undertaken,

Soviet Union; that the absence of this condition in advanced communities such as Britain and America would make it impossible for them to establish such planned systems.

This notion appears to arise from the delusion that a planned economic system of production for use would or could have the same kind of difficulty in distributing the consumers' goods which it had produced as is experienced by capitalism. Writers who suffer from this delusion have noticed—indeed, who has not?—that capitalism cannot today distribute to the population those consumers' goods which it could so easily produce—that in times of crisis it cannot even distribute some of the consumers' goods which it has actually produced, and is forced to destroy them; to burn the wheat and the coffee, to plough in the cotton, and to slaughter the hogs.

“But,” such writers conclude, “the same thing will happen in the Soviet Union, so soon as it has completed its task of industrialization, and begins to turn its attention to increasing its output of consumers' goods. A glut will surely follow; unemployment will reappear; then they will have to burn the wheat of the steppes as well as of the prairies; shirts will rot in Russian as well as Lancashire warehouses, while Russian as well as Lancashire backs are bare.”\*

\* A foremost British economist, Prof. T. E. Gregory, was in 1933 writing, for example, along these lines. In his booklet, *Gold, Unemployment, and Capitalism*, he wrote “. . . it is now quite clear that in the last few years Russia has been passing through a ‘construction boom’ analogous in every respect to that experienced in the capitalistic world; and that, with the gradual slackening of the intensity of that boom, the phenomenon of unemployment is appearing.” It is now 1939. Professor Gregory is still, I suppose, anxiously awaiting the appearance of unemployment in the Soviet Union.

Those who think in this way have failed to notice the reason why British and American capitalism cannot distribute anything approaching their possible output of consumers' goods. It is not, clearly, because we lack in Britain and America the physical means of transport necessary to take the goods from the warehouses and deliver them to the homes. It is, as every business man knows to his cost, simply and solely because an increased quantity of consumers' goods *cannot be sold at profitable prices*. In other words, our inability to distribute is a direct consequence of our system of production for profit. (In Chapter VIII we shall describe how this inability arises.)

Such an inability to distribute could not conceivably arise in the case of a system of planned production for use. Truly, if some enormous error of planning had been committed, insufficient transport facilities might make it impossible to distribute, in this physical sense, the possible output of the factories in a given area. But this would be a hold-up due to a *shortage* of resources, not, as is the case under capitalism, a holdup due to a *surplus* of resources. In no circumstances could a situation arise in which a socialist economic system possessed all the physical means for producing and distributing goods, and yet could not put the goods into people's hands. The capitalist system can get into this extraordinary predicament only because it must produce, if it is not to become utterly chaotic, *only those goods the production and distribution of which will yield a profit*.

A system of production—and consequently of distribution—for use has, as we have seen, its own difficulties to face. But it cannot conceivably encounter this particular difficulty. We may rely upon it that it will always be able to sell to its own people every single consumable article which it can get produced. This is already becoming apparent in the Soviet Union. The formidable initial difficulty of getting the process of industrialization into motion has been, to a large extent, overcome, and a now rapidly increasing flow of consumers' goods is appearing. Not the faintest difficulty in disposing of these goods to the population is being experienced. On the contrary, they disappear among the 170 million Russian consumers as disappear the rivers into the desert beyond Samarkand!

How has this state of things been achieved? We shall discover the secret of it when we describe the socialist method of distribution (Chapter X). Here we need only say that in a socialist system of planned production for use one of the essential, although one of the easiest, tasks of the planning authority is to arrange for the issue of just exactly the right amount of money to buy, at the prices fixed, all the goods and services which the community can produce in any given year. Thus the only limit to the market in a socialist society is the real need of the population for goods and services.

Every capitalist government is today faced with the urgent problem of finding an external market even for those goods which its half-stifled productive system has

produced. The Soviet government alone is faced with the problem of how to satisfy the illimitable market provided by its own population. For it has taken good care to equip that population with the necessary purchasing power. Here is a description of the Soviet government's real problem:

Who can compute the effect of the ever-widening desire for two or three rooms per family, instead of the one, or much less than one, with which nine-tenths of the population of Tsarist Russia contented itself; of the never-satisfied clamor for more clothing and better; of the ever-rising standards expected in public health and public education; of the demand for more hospitals and maternity centers, with an almost illimitable increase in the nurses and doctors serving all the villages between the Baltic and the Pacific; of the desire for more schools and libraries, with endlessly more teachers and professors and textbooks and scientific apparatus, over one-sixth of the entire land-surface of the globe? Adapt and contrive as it may, the State Planning Commission is perpetually finding itself at a loss how best to allocate, among the constantly widening range and increasing magnitude of the consumers' effective demand, the always insufficient labor force, buildings and raw material by means of which alone this demand can be satisfied. Meanwhile no one can fail to recognize that . . . there is vastly greater plenty, in the cities and in the villages, than there has been at any previous time in Russian history. The shops and stores are now abundantly supplied, ration cards have been one after another abolished, and the total retail sales are going up by leaps and bounds.

This passage is taken from Mr. and Mrs. Sidney Webb's *Soviet Communism: A New Civilization?* This is the defini-

tive study of the political, economic and social life of the Soviet Union.\*

It was worth while to discuss the delusion that developed means of production would be a difficulty for a socialist economic system, both because it is widespread, and also because of the light which it throws upon the mental confusion into which the economic confusion of our epoch has thrown us. How strange that anyone could imagine that it was an asset to a country to have to build up its basic productive equipment almost from the start; that it was a liability to possess splendidly developed means of production! And yet this is just the delusion which is induced in our minds by the ever-growing confusion of capitalism. For, as we shall see, it is true that the only task for which capitalist production for profit is suited is the building up of a community's means of production. Hence, if we cannot imagine any other economic system, then truly, it is a disaster when this task is accomplished. For then there remains nothing for the system to do, and it must necessarily fall into disorder.

But once we have realized that in capitalism "nature's

\* As I shall necessarily make many references to the Soviet Union in subsequent chapters, it will be well to say here that my authority is, unless otherwise stated, my own personal observation in the Soviet Union or Mr. and Mrs. Webb's book. It seems to me better to use Mr. and Mrs. Webb's book as a single authority, of whose authenticity readers can readily judge for themselves, rather than to quote from a selection of the innumerable works on the Soviet Union, which are of varying degrees of accuracy and value. Moreover, Mr. and Mrs. Webb's book, besides being the culminating achievement of the two greatest social investigators of the English-speaking world, is a sort of epitome of the whole vast literature, in English, French and German in this field. For almost every work in these three languages (and many in Russian) has been sifted and surveyed by Mr. and Mrs. Webb.



copy's not eterne" we can realize also that the accomplishment of the process of industrialization is an epoch-making achievement. With toil and sacrifice man has built up a productive equipment which could give him plenty and security. Now, surely, he should enjoy the fruits of his achievement? But it is becoming every day more clear that he cannot enjoy those fruits except under a socialist system of production for use. The idea that developed means of production, which are in fact the prerequisite for such a system, will prove a difficulty for it would be laughable, if it were not tragic.

Needless to say, the fact that the British and American people are the heirs apparent to incomparably better means of production than those which the State Planning Commission of the Soviet Union inherited from Tsarism will be a colossal advantage to them. It is not too much to say that a British and American system of planned production for use will start at a point which the Russian system, despite the extraordinary rapidity of its present progress, cannot hope to reach before the end of several five-year periods of planning.

As the N.S.P.P.C report has demonstrated, there would be no question for us of the severe, although heroic, struggle for industrialization which has been waged by the Russian people. From the moment of their appointment, British and American planning authorities could, and no doubt will, increase the output of consumers' goods and services, and so raise the general standard of life, to an extent which will transform the whole life of our communities.



## THE EXISTING SOCIALIST SYSTEM OF PRODUCTION

---

The report on America's productive resources which we have discussed could do no more than illuminate the principle upon which any socialist economic system must work. During the past eight years, however, 170 million human beings have in actual practice been organizing their economic life upon the basis of planned production for use. How have they done it?

The socialist economic system now at work in the Soviet Union is, surely, a most important, as it is certainly a most fascinating, object of study. For, if it is successful, it undeniably offers us all a way out of our thickening difficulties. Mr. and Mrs. Webb tell us that it was primarily this feature of Soviet life which challenged their attention. "Will this new system of economic relationships," they asked themselves, "and this new motivation of wealth production, prove permanently successful?"

For if it does, it will not only show the rest of the world how to abolish technological, and indeed all other mass unemployment, together with the devastating alternation of commercial booms and slumps; but further, by opening the way to the maximum utilization of human enterprise and scientific discovery in the service of humanity, it will afford the prospect of increase beyond all computation, alike of national wealth and of individual well-being. (*Ibid.* p. 602.)

For a variety of reasons it did not prove possible to put the economic life of the Soviet Union on to anything which can be called a fully planned basis until the year 1928. The first step toward doing so was taken (some years earlier) when every type of organization within the Soviet Union was required to send to the State Planning Commission complete information as to its output of products, its consumption of raw materials, its employment of labor, etc., etc., etc., during the past year, and its proposed output, consumption, employment, etc., during the coming year. This collection at a single center of comprehensive statistics of the entire economic system (a collection which is never possible to complete under capitalism) is the prerequisite of a planned economy.

But in order to use the immense flood of information which such a regulation must cause to pour in upon the planning authority, a very extensive and expert statistical and administrative machine must be evolved. The need to create such an institution was one of the reasons why planning could not be fully developed in the Soviet Union before 1928. By that year, however, an administrative machine capable of tackling the task of collecting, verifying, collating, arranging, and then making deductions from, this flood of information had been created. "Gozplan," as the State Planning Commission is called in Russian, had become by far the largest and most elaborate statistical center in the world.

This brings us to the actual making of the plan, to the crucial question of what shall be produced and who shall

produce it. Now most people suppose that this all-important question is decided, under a socialist system, by the arbitrary fiat of the planning authority. But this is not so. The first step in building the plan is not to coerce the productive organizations, but to consult them: to ask them what they propose to produce during the coming year, and what supplies of raw material, equipment, skilled and unskilled labor they estimate that they will need for the job. Their replies, when put together, make what is in a sense the very first draft of the plan. It is a plan which no one, and no single organization, has written. It is a plan which has emerged from the proposals for the coming year of the producers of the whole country, and it is based, of course, upon their experience during the past year. This first, embryonic draft may be, and indeed almost certainly will be, lacking in self-consistency. The building industry, for example, may be demanding 25% more skilled bricklayers than exist. Or, again, the motor manufacturing enterprises, the shipbuilders, the builders, and all the other steel users, may be making a combined demand for steel which is 10% above (or below) the total output proposed by the steel industry. Accordingly, Gozplan must begin its complicated task of making the draft plan self-consistent. It must see to it that the total demand for, say, steel and coal, put in by all steel- and coal-consuming industries, equals the proposed total output of steel and coal, minus the output used for domestic consumption. (This part of the task leads up to the decision as to the relative amount of the community's productive resources to be devoted to

means of production and consumers' goods which we discussed in the last chapter. The collation and making self-consistent of the outputs proposed by the different consumers' goods industries is, on the other hand, the first step toward that meeting of the defined needs of the population which we discussed in Chapter III.) When this task is accomplished, the planning authority will have before it some sort of self-consistent proposal, made by the productive organizations themselves, as to next year's production.\*

We must notice the character of these productive organizations. For these are the basic units of a socialist economic system, the socialist analogues of the firms, farms, partnerships, joint stock companies, corporations, and trusts of the capitalist world. These organizations fall into three main categories.

First, there are governmental agencies—state, regional or municipal enterprises.† This form predominates in productive industry proper. It accounts for ninety-nine-hundredths of the output of new means of production, and of

\* Although we are accustomed to speak of a Five-Year Plan, the production programs are apt to be revised so drastically each year that detailed planning is for one year ahead, with a much more general forecast for the following four, three, two and one years—as the plan progresses. Indeed, there is a sense in which planning must long remain predominantly on a one-year basis. For the seasons, with their periodicity of crops, still dominate so important a section of man's productive activity that any detailed plan will naturally extend from harvest to harvest.

† These governmental productive agencies may be defined as organizations in which the means of production and the raw materials used are owned by the community as a whole, or by a regional government (as the government

a smaller but still predominating percentage of the output of consumers' goods.

Second, there are consumers' co-operative societies, constituted upon the same general lines as British or Western European consumers' co-operative societies, except that they do not pay cash dividends on the purchases of their members. This form of organization is important in what we call the distributive trades: in retail, and to a less extent in wholesale, selling. It has no monopoly of these spheres, however, since various governmental agencies carry on the wholesale and retail selling in the towns. On the other hand, consumers' co-operative societies (as in Britain) have penetrated into the field of the production of consumers' goods.

Third, there are producers' co-operative societies, organized upon a basis which would have been more familiar to many American and British workers a hundred years ago than they are today. These are organizations of workers who, *as a group*, own and control their own means of production and raw materials, instead of working for wages with means of production and on raw materials owned by the community as a whole, as do the workers in

---

of one or other of the federated Republics of the Soviet Union, such as the Ukraine, or the Karelian Republic), or by a municipality, and in which, consequently, the employees work for wages. But they are themselves of several different kinds, of which the "combine," consisting of a group of mines or factories, is now the most important type. The history of the evolution of the combine as the predominant productive unit in Soviet industry is interesting, but is largely inaccessible to the English-speaking reader. It is one of the few aspects of Soviet life inadequately dealt with by Mr. and Mrs. Webb. An admirably clear account does exist in *Russia's Productive System* by Mr. Emile Burns (Dutton). But so rapidly do things move in the Soviet Union that this work (published 1930) is now to some extent out of date.

state or municipal agencies. Moreover, these workers, since they themselves own their enterprises, receive, instead of wages, a dividend which represents their share \* of the total price realized for the product of their enterprise. The essential sphere of these producers' co-operatives is in agriculture. For the collective farms, which, to the extraordinary number of a quarter of a million, now cover the surface of the globe from the Baltic to the Pacific, are producers' co-operative societies. But this form of organization is not confined to agriculture. It plays a subordinate but useful rôle in industrial production, where "artels," or producers' co-operatives of artisans, with a substantial membership of three million, are at work producing goods (such as toys) or services (such as house repairs). They are more especially engaged in those types of maintenance and servicing which do not require large quantities of what we should call fixed capital. On the other hand, this form of organization has no monopoly of agricultural production. For there exist some ten thousand state farms which belong to the category of governmental agencies; for in them men work for wages exactly as in steel mills or print shops.

These producers' co-operatives are a form of economic organization which has existed ever since the abolition of capitalism in Russia in 1917. But it is only in the last nine years, with the establishment of 250,000 collective farms on the basis of producers' co-operation, that they have become a quantitatively important factor in the economic

\* Usually calculated according to the amount of work which they have done.



life of the country. That they have now done so is of the highest interest to students of the history of socialist thought and of the working-class movement. For they represent the revival in new conditions of an early tendency which had become almost extinct. The concept of a group of workers, jointly owning their means of production and dividing among themselves the full proceeds of the sale of their products, was the form of organization originally aimed at by almost all the socialists of Western Europe. All through the nineteenth century repeated efforts to set up such organizations were made in Britain, France and America. They all failed, and, although with great reluctance, the working-class and socialist movement gradually abandoned the hope of getting rid of the capitalist employer by this direct means of banding together to employ themselves. The experience of the Soviet Union has now shown that the ideal of co-operative production is an inherently sound one *if it is realized in a socialist environment*. We now know that the socialist pioneers who attempted to establish such co-operative enterprises were not mistaken in supposing that this was one of the forms which free men associating for productive purposes would adopt. Where they went wrong was to suppose that producers' co-operatives could co-exist with capitalist enterprise, and with the possession of political power by the capitalist class. It is not, we now know, until large-scale industry has been socialized, and until the capitalists have neither economic nor political power, that co-operative productive enterprises of this type can succeed.



These, then, are the economic organizations, the output and needs of which must be planned by the State Planning Commission. It is their proposals—rendered self-consistent—which must be compared by the State Planning Commission with the proposals for the development of the national economy formulated by the Soviet government. The Soviet government, for its part, will have many ends in view which we may think of as extra-economic. It will not be solely intent, that is to say, upon maximizing the total wealth production of the Soviet Union. It will regard the plan as in one respect, at any rate, a plan for achieving certain given extra-economic purposes. One of these purposes must be for the present the defense of the union from the return of the armies of those six capitalist states which were ravaging her twenty years ago. Another is the provision of an ever more adequate supply of all the goods and services needed for raising with unparalleled rapidity the whole cultural life of the community; the provision of schools and teachers, of textbooks and paper, of pens and ink, of pamphlets and newspapers, on a scale adequate to the needs of 170 million persons. A third purpose will be the supply of the elaborate equipment and highly trained staff needed to raise and maintain the whole physical level of that vast population: to provide hospitals and doctors, X-ray apparatuses and sanatoriums, trained dentists with their apparatuses, and the thousand other things needful to an adequate health service. Finally, the Soviet government will have its view as to the general character of the coming year's plan, as to the degree of emphasis to be laid on the

expansion of industries producing means of production relative to those producing consumers' goods, and so on.

When the government's views have found expression in it, the Provisional Plan is ready. But this Provisional Plan is not now simply adopted by the Supreme Council of the U.S.S.R. and issued as an instruction. On the contrary, a second and extensive process of consultation is now undertaken. The provisional plan is now formally submitted to each of the commissariats or government departments, and is transmitted by them to each and all of the productive establishments the activities of which it will govern during the coming year. For this purpose the plan is, in effect, cut up into many thousands of separate pieces, each of which is concerned with the proposed activities of a particular establishment. And each establishment studies in minute detail its own piece of the plan. Moreover, it is not just the statistical office, or even the administrative staff, of each enterprise which undertakes this study. The plan is submitted to the whole body of workers by hand and brain attached to the establishment. Conferences of the whole staff are held at which proposals for the plan's revision are discussed and often adopted.

The plan, with all the emendations proposed by all the enterprises and institutions of the country, is then sent back to the State Planning Commission, where for a second time a process of comparison and collation must be gone through so that no suggestion which would contradict any other is adopted. The resultant document is the final or definitive plan. It is laid before the Council of People's

Commissars and the Supreme Council of the U.S.S.R. (which roughly correspond to our cabinet and parliament, or Congress, respectively). Upon its adoption by these bodies it becomes the law of the land. For when all the consultation, and comparison and collation have been done a decision is necessary. As Mr. and Mrs. Webb write: "Once private ownership, with its profit-seeking motive of production for the competitive market is abandoned, specific directions must be given as to what each establishment has to produce." These specific directions are given, and they have the force of law; but they are drawn up upon the basis of the information and the proposals of the productive establishments themselves.

It will not have escaped the reader's attention that the State Planning Commission will not be able to plan the activities of the producers' co-operatives in quite the same sense that it will be able to plan, as an instruction, the activities of the governmental agencies. The members of the producers' co-operatives, owning their own plants and some, at any rate, of their own raw materials, might in theory refuse to fall in with the instructions of the State Planning Commission. In the field of industry the producers' co-operatives are relatively so small, and so dependent upon the large governmental agencies, that the point is unimportant. In agriculture, however, they enormously predominate. And as they sell a great part of their produce upon the market, in which competing bidders exist, they might feel unwilling or unable to produce the quantities and types of produce required of them by the commission.

The commission and the government have, it is true, a number of methods of influencing them. They may vary the incidence of taxation; they may act upon the relative prices which governmental agencies will bid for different kinds of produce; and they may vary the prices and the quantities of the industrial products supplied to the villages, which are the ultimate inducement to the collective farmers to produce a surplus above their own needs (plus taxation and payments for the services, such as tractor plowing, seed selection, etc., which governmental agencies perform for them).

All this, however, is something different from, and less than, direct control. Moreover, the existence of these numerous co-operative and individual producers for the market means that a large number of goods and services are distributed by means of exchanges between different producers, and not by allocation by the planning authority. It is important to make this distinction clear. We can imagine a socialist economic system in which every productive enterprise was directly owned by the state and in which, therefore, everyone was a wage-earning employee of one single employer, the state. (This, indeed, is the somewhat monotone picture of "the socialist state" which is often drawn by those who favor the continuance of the capitalist system.) In such a society all the products would originally belong to the state and would then be sold by the state to its wage-workers in return for their wages. The money paid out in such wages would be a mere ticket for goods up to a certain quantity. Unless the tendering of this

ticket, in order to receive goods up to the value marked upon it, could be called an act of exchange, there would be no exchanging in such a community.

Now, whatever the merits or demerits of such a community might be, the existing socialist society bears little resemblance to it. Since an important proportion of the productive establishments are owned, not by the state, but by their own members, an important proportion of the total annual product comes on to a genuine market and is bought and sold, *i.e.*, exchanged, between these organizations and between individuals. This system of socialist exchange, or trade, is not confined to the products of the producers' co-operative societies. State agencies of production often make contracts by which they buy a part of the product of either another state agency or a producers' co-operative society. Again both forms of productive enterprise, in those cases in which they produce consumable goods, often set up direct retailing points (shops, or stalls in an organized market or bazaar), in which they sell their products direct to the consuming public. Thus there exists a network of buying and selling (exchanging) of goods which never pass through the hands of the state as such, but move along a number of channels from their producers to their ultimate consumers.

The respects in which this form of socialist trade differ from capitalist trading are discussed in the last chapter of this book, where we deal with the incentives by which the whole enormous economic mechanism of a socialist community is kept in motion. Here we need only say briefly

that commodities are caused to circulate without two typical characteristics of capitalism appearing. At no point in the process is there the employment of wage labor for the purpose of making profit for any individual or group of individuals, and, secondly, no act of purchase is made with the object of re-selling the goods obtained *at a profit* to a third individual or organization.\*

The advantages of this decentralization of the distributive system are clearly very great. Indeed, Stalin has several times stated that without mutual trading or exchanging of goods and services between state or co-operative organizations, the Soviet economic system could not work. "The expansion of Soviet trade is a very urgent problem," he said in the speech in which (in 1933) he summed up the results of the first Five-Year Plan, "which if not solved will make further progress impossible." In fact, there has developed in subsequent years a complex network of trading among and between the state agencies, the producers' co-operatives and the consumers' co-operatives, the individual producers, and among all these and the consuming public. But it is no doubt also true that the existence of this system of socialist trading creates problems for the

\* This does not mean that a retailing organization, such as a consumers' co-operative society, may not buy an article from a factory and then re-sell it to its members. It may and does constantly do so, and is, of course, allowed to add to the article's price a sum sufficient to cover the cost of retailing. But what no organization must do is to buy an article on the market with the expectation and the intention of re-selling it, unchanged, at a profit. This is speculation and is one of the sins in the socialist calendar. The point is illustrated by the well-known story of the Soviet child who was asked by his arithmetic teacher: "Now, Ivan, if a man bought a pound of apples for ten roubles and sold them again for twenty roubles, what would he get?" "Three months in jail," answered Ivan.



State Planning Commission. For example, it is clear that so long as such exchanging exists, money is not a mere ticket entitling its recipient to such and such a quantity of goods to be drawn from a centralized state supply. It remains for this purpose a medium of circulation and standard of value, which are very different things. In general, it will be more difficult to control and so plan in advance such decentralized economic activities.

Experience seems to indicate, however, that the State Planning Commission is in effective control of the situation. The amount of production which it can control by direct instruction is so great, and the influences which it can bring to bear upon the co-operative organizations and individuals which produce the remainder are so powerful, that it appears to be able to do the essential job of keeping any desired proportions between the different types of goods and services produced. It is certain that the socialist systems which their respective working classes will establish in Britain and America will include this kind of socialist trading. On the other hand, America and, still more, Britain are much more closely organized and integrated communities than is the Soviet Union. For this reason a greater degree of centralization, with the advantage that this will permit of more accurate and rapid planning, should at once be possible in a socialist Britain and a socialist America. Nor, as we shall see in Chapter XIII, will this involve the least degree of regimentation for their populations.

This, then, is the character of the productive organiza-



tions, and the method of their regulation, developed by the first socialist economic system which has ever existed in the history of the world. What are the results? Controversy is endless upon this question. But one thing at any rate is certain: the first socialist economic system that the world has ever seen has now survived for eleven years\* and is rapidly developing. The statesmen and economists of the capitalist world continue to declare that socialism is a Utopian dream, that capitalism is not a particular economic system which might be succeeded by another, but is a sort of irreplaceable "natural order." But all the time a socialist system lives and grows before our eyes. This is by far the most important fact of our epoch.

Has the first socialist economic system not only survived, however, but proved itself superior to capitalism? It would, of course, be possible to quote a flood of statistics upon the increases in production which have been, and are now being, achieved in the Soviet Union. Here are one or two comparisons between the development of the socialist economic system in the Soviet Union and the development of some typical capitalist countries.

In July, 1937, the League of Nations issued a bulletin which contained comparisons of the industrial production of the Soviet Union and certain capitalist countries. The first comparison was between the production of consumers'

\* The establishment of socialism in the Soviet Union is usually, and in principle correctly, dated from the dispossession of the Russian capitalists in 1917. On this reckoning, socialism has been in existence for twenty-two years. But it is only during the last eleven years that a fully planned system of production for use has been in existence. Hence from a purely economic standpoint this period may be thought the more relevant.

goods. The production of consumers' goods in 1929 (the best year for the capitalist world) was taken as the normal, and given the figure of 100 in the table. Then the production of consumers' goods in the different countries was shown as percentages of their production for that year. Here is the table:

*Production of Consumers' Industrial Goods*

(1929 = 100)

	1927	1932	1936
Soviet Union .....	65	156	286
United States .....	95	76	95
Germany .....	105	76	99
Poland .....	98	64	78

Another table showing the comparison in the production of new means of production (new machines, new factories, new power plants, new mines, etc., etc.) created in these countries was also made:

*Production of Producers' Industrial Goods*

(1929 = 100)

	1927	1932	1936
Soviet Union .....	62	213	486
United States .....	83	28	82
Germany .....	104	34	113
Poland .....	82	42	72

Finally, one further table is of interest because it compares the Soviet Union with the other great continental

areas of the world. This table shows the production of forest and mineral, in short, non-agricultural, raw materials. It appeared in the *League of Nations World Economic Survey for 1936-37*, and sets the average production for the years 1925-29 as 100.

*Production of Non-Agricultural Raw Materials*

(1925-29 = 100)

	1925	1929	1932	1936
Soviet Union . . . . .	61	137	194	388
Europe, excluding S. U. . . .	90	115	80	114
North America . . . . .	91	111	59	102
Latin America . . . . .	87	123	72	107
Africa . . . . .	90	113	87	145
Asia, excluding S. U. . . . .	86	118	108	173

These figures do not mean, of course, that the Soviet Union is richer than the United States. It is not nearly so rich. But they do mean that the Soviet Union is getting richer far more rapidly than is the United States or any other capitalist country. On the other hand, the Soviet Union started from a much lower point. She was far poorer in 1929, which is given as the date of comparison, than were the big capitalist countries. The question is: how long, given peace, will it take the Soviet Union with its socialist economic system to catch up with the capitalist countries, and then to outdistance them, if it is already advancing at this pace? And the answer, in my opinion, is: not so very long now.

We must not underestimate, however, the literally stupendous difficulties which the Russian people have faced in building up their socialist economic system. The above figures were for industrial production. Now look at some figures for agriculture. Total agricultural production, was, in 1937, just over twice as large as it was in 1913, in the Soviet Union. But it has been by no means an uninterrupted development. Between 1928 and 1932 Soviet agriculture was, as we have seen, reorganized into collective farms. And this was a tremendous job, during which serious losses, particularly in livestock, were experienced. But now that agriculture has got going on the new basis, the number of animals on the Soviet farms is rapidly rising again. Here are some figures, given by Eugene Varga, a leading Soviet economist, which show this process of loss and recovery very clearly. They are taken from p. 172 of the French edition of his book, *Deux Systèmes*.

	1916	1932	1936
	(Figures in millions of animals)		
Cattle .....	60	40	56
Hogs .....	20	11	30
Sheep and goats.....	121	52	73

You see in these figures that creating a Socialist economic system has been no easy business, but that nevertheless it is being successfully achieved. So much for figures.

But is it not the case, the reader may ask, that many particular commodities are notoriously scarce in the Soviet Union? And is not this scarcity a very bad advertisement

for socialism? It is perfectly true that Soviet citizens feel that many commodities are scarce. Paradoxically enough, however, the creation of this feeling of scarcity (and it is undoubtedly a consequence of socialism) is one of the greatest achievements of the socialist economic system! *For it co-exists with an enormous increase over pre-socialist levels in the production of just those commodities which the population feels to be scarce.*

For what is scarcity? Scarcity is a situation in which the supply of any good\* or service does not equal the demand for it. Hence a good which has not previously been scarce can become so, either by the supply becoming smaller or the demand becoming larger. Indeed, it is clear that a good can, and will, become scarce even if the supply increases, if the demand for it increases more rapidly. *And this is just what has happened with good after good in the Soviet Union. Socialism has greatly increased the supply of these goods. But, at the same time, by distributing (in a manner to be described in subsequent chapters) adequate purchasing power to the entire population, it has increased the demand for these goods to a far greater extent. Hence the goods, in spite of a great increase in their production, have become scarce.*

Boots provide a typical example. In 1913 Russia produced between 1/15 to 1/20 pair of boots per person per year. In 1933 production was at the rate of half a pair a year per person. Thus boot production per head has gone

\* The word "good," used in the singular, is an economist's term. It means an article or a particular service. The reader must not suppose that it carries with it any ethical or moral implications.

up just about ten times.† Yet many Russians are inclined to feel that boots are scarcer than they were before the War! For before the War "the average Russian" never dreamt that it was possible for him to possess boots. He wrapped his feet in canvas, flax or straw "lapti." Socialism has both evoked in him the desire to possess boots and supplied him with the money to buy them. No wonder a ten-fold increase in production is still insufficient for such a market! Far away indeed from even the possibility of that curse of the capitalist world, a "glut," are the producers of a socialist economic system! Thus we may say that the towering achievement of the first socialist economic system has been the simultaneous abolition of glut and unemployment. This achievement has been made possible, we shall see, by the deliberate and systematic distribution to the entire population of enough purchasing power to clear the market of all the goods produced and offered for sale that year.

It is now time to examine the view of those economists and experts of the capitalist world who deny that a socialist system of planned production for use can (or presumably, therefore, does) exist. Of these authorities Mr. and Mrs. Webb write with irony, that they "do not trouble to dispute the actual achievements of the planned economy of the U.S.S.R., because they claim to possess a science according to which these achievements are logically im-

† Figures from *Supply and Trade in the U.S.S.R.* by W. Nodel. (These and other figures on boot production are quoted by the Webbs.)



possible." We might find this statement incredible had not a leading figure of this school of thought, Professor Ludwig von Mises, written a volume, the five hundred pages of which severally and collectively seek to disprove the possibility of the existence of a planned economic system of production for use without once mentioning the existence of such a system in one-sixth of the world. Moreover, this school of capitalist economists are the essential leaders of the thought of their world. Other schools of their colleagues differ from them, that is to say, not so much in principle as by putting forward their views more cautiously, and less courageously.

We have already noticed (p. 17) that this school of economists claim that the capitalist system is inherently perfect and that any defects which may be noticeable in the capitalist world are the result of deviations from, and interferences with, the essential principles upon which the system works. They represent our buying of commodities in a free market as a sort of permanent election in which the population as a whole chooses what commodities shall be produced for it. (And so, no doubt, it is. But it is an election in which some voters have approximately forty thousand times as many votes as others. For this, it is calculated, is about the difference between the size of the incomes of the richest and the poorest citizens of such capitalist communities as Britain and America.) Compared to capitalism, these economists suggest, a planned economic system is so crude as to be unworkable. If, however, we examine the statements of this school of thought



we shall find that what they really amount to are declarations that planning would not achieve a perfect use of society's available productive resources. Thus Professor Robbins of London University tells us that:

The requirement of a rational plan . . . is that the factors of production (the land, capital and labor) should be so distributed between the various alternatives of production that no commodity which is produced has less value than the commodities which might have been produced had the factors of production been free for other purposes. (*The Great Depression*, by Lionel Robbins, Macmillan, 1934.)

By "value" Professor Robbins means, in this passage, "capacity to satisfy human needs." So the requirement of a rational plan is that no commodity should be produced which has less capacity to satisfy human needs than another commodity which might have been produced by a different use of the same means of production. In other words, the professor asserts that the requirement of a rational plan is that the planning authority should never make a mistake.

There follow some pages which demonstrate that a planning authority would not be in a position to achieve this requirement. Therefore, Professor Robbins continues, half explicitly, half by implication, the results of planning must be inferior to those attained by the capitalist system; for that system can never make a mistake, or, at any rate, could not do so if it were left free from governmental interference.

The mechanism of the professor's argument is visible to the naked eye. It is first demonstrated (quite irrefutably) that planning will not produce perfect results. Then this demonstration is treated as if it proved that planning would be, not merely imperfect, but impossible, and that the results of unplanned production are perfect. Therefore planned production is incomparably the inferior method! How true it is that the results of socialist planning, in common with all other human activities without exception, are not perfect. And how wholly irrelevant is this conclusion to our desperately urgent task of devising an economic system which will not produce the tragic and preposterous catastrophes of capitalism.

Moreover, the mistakes which are made by a planning authority are not only of a different magnitude, but are also of a different kind, to the mistakes which arise from the breakdown of the self-regulating profits system. The mistakes of planning are mistakes incidental to bringing the adjustment of a complex productive system under conscious control. The huge misdirections of production which occur under capitalism should not perhaps be called "mistakes" at all. For they are not the errors of men consciously working toward the end of fitting production to human need. They are more analogous to natural catastrophes. Under the capitalist principle of production for profit, the adjustment of production to need takes place (in so far as it takes place at all) automatically and unconsciously. It is not something which anyone does; it is something

which happens. Hence it is uncontrolled and uncontrollable.

Under capitalism the necessary regulation of the productive system is carried on unconsciously, independently of men's wills. Its regulatory principle asserts itself like a blind force of nature, leaving destruction and suffering in its wake. Things, not men, are in the saddle. We seem and under our present system we actually are the frightened dependents of those very machines which might be our tireless slaves. Under a planned economic system, on the other hand, men, working in association, tackle the job of consciously controlling, to suit themselves, their own productive system. The successful achievement of this control will mark a decisive step forward in human history.\*

It may be objected that it is more difficult consciously to control production than to leave the matter to the violent self-regulation of the profits system. In a sense this is true. It is always more difficult to exercise conscious control than to allow things to take their own course. It is "more difficult" to drive an automobile than to take one's hands off the wheel and allow it to go into the ditch. It is, in this sense, more difficult to control our formidable methods of production than to let them control us. But since their control over us is proving ruinous, it is a difficulty which we must, and can, face. However imperfect our control may at first be, it cannot produce results one-quarter so bad as does capitalism today. In fact such control will, in highly developed communities such as Britain and

\* In the case of the Soviet Union we can write "has marked."

America, result from the beginning in general plenty and security and so transform human life. When men are in the saddle, and things have become the instruments of their will, but not before, we shall escape from the destitution, the insecurity and the violence which are presently destroying us.

## INCOMPATIBILITY OF THE TWO PRODUCTIVE SYSTEMS

---

IN the long run it will prove impossible to combine the capitalist and socialist systems of production. In the long run you cannot take *both* profitability *and* the deliberate decisions of a planning authority as the criterion of what goods, and of what quantities of goods, shall be produced. You cannot have it both ways. Either you must rely upon the supposedly self-regulating system of the market, drawing production after demand, by the magnet of profit, or you must scrap this mechanism and lay out your productive resources on a preconceived plan in order to meet a defined need for consumers' goods.

Very intricate problems and difficulties arise as soon as an attempt is made to combine elements from the socialist and capitalist economic systems. This is not to say that such attempts have not been made, or that it is not necessary to make them in the course of the long struggle of progressive people in general, and of the wage-earners in particular, to make over the economic system into something more worth living in. But it is no easy job. It is simply impossible to start out and set up a planning commission to regulate the production of such a community as present-day America, for example. Let us suppose that a state planning commission was set up in America today, while our existing social and economic system was left

otherwise unchanged. The commission would have no difficulty, it is true, in finding both unused productive resources and unsatisfied human needs. It would find men and women who lacked clothes, for example, existing together with idle textile mills, unemployed weavers and dyers, and a surplus of raw cotton. Let us suppose, therefore, that the commission ordered the owners of the closed-down textile mills to open them and begin producing shirts and dresses and underclothes for the millions who are ragged today.

Now at that moment the state of the market for textiles might be in one of two conditions. It might be such that production from the closed mills would be profitable, or it might be such that production would be unprofitable. And the market would necessarily be in one condition or the other. Let us see what must happen in either case. If production were profitable, the owners of the idle textile mills would readily obey the instructions of the planning commission. Indeed, unless the commission acted promptly, it would find that the owners had opened their mills already without waiting for any instructions. In short, the instructions would be quite unnecessary.

But what would happen in the case of production being unprofitable? Let us suppose that the planning commission is armed with all the powers of the state and that it forces the owners to open their mills and produce. Week by week the operations of the mills will show a loss. Moreover, it will be a growing loss. For the appearance on the market of the additional supplies of textiles will, other things be-

ing equal, depress their prices to new and still more unprofitable levels. This cannot go on. The owners of the textile mills must either disobey the planning commission's instructions, or they must cease to be the owners of the textile mills. For they will go bankrupt. Thus in one case the instructions of the commission will be totally unnecessary, and in the other they will be impossible to comply with. *Hence, so long as our present economic system remains in existence it is quite impossible to organize production on the basis of a conscious, predetermined plan.*

We have discovered here the reason for a phenomenon which everybody must have noticed. Every capitalist government is nowadays confronted with the problem of trying to find a use for resources of production which it has become unprofitable to use, and which, consequently, are standing idle. In particular, pressure is always exerted on such governments to find a use for the human factor in production; in plain words, to find work for the unemployed. Now, when large-scale unemployment exists in a community a mass of unsatisfied needs always exist also. On the face of it, then, one would not expect that capitalist governments would have any difficulty in deciding what work to put the unemployed on to. Surely they will put them on to the obvious, urgent work of producing food and clothing and fuel and housing for the destitute?\* But, we observe, our governments never do anything of the sort.

Instead, they begin an elaborate search for what are called "work schemes." At a time when millions of the

\* Who are largely, but not exclusively, the unemployed themselves.



population lack necessities, the unemployed are put to such tasks as making more or less redundant roads, planting forests, improving parks, and all the kinds of work to which W.P.A. workers, for example, are set. It is a thousand times better that workers should be given even this sort of only fairly useful work than that they should be left idle and starving. All the same it is perfectly obvious that in a country like America in which tens of millions of people need more and better food, houses, clothing, medical attention, education, etc., than they are getting, the W.P.A. kinds of work are by no means the best possible work to which the unemployed could be set. It seems as if some magic circle had been drawn round the ordinary, urgent work of satisfying elementary human needs, forbidding the unemployed from making a single really useful or sensible thing, condemning the government to rack its brains to discover some outlandish or unlikely task on which they can be set. And this, we now see, is just about what has happened. For under capitalism the satisfaction of all the main human needs is the exclusive prerogative of profit-making.

Hence the government must hunt round for work which will not in any case yield a quick enough profit to attract private enterprise, such as afforestation, or which is, by long standing convention, outside the profit-making sphere, such as the collection and delivery of mails. For the government cannot seriously invade the profit-making sphere without arousing the furious opposition of the capitalists, and tending to throw the system into disorder. We have already shown what would happen if the government or-

dered the owners of the means for the production of necessities to employ the unemployed on unprofitable production. They would simply go bankrupt. Nor can a capitalist government (even if it would) build up and man with the unemployed new means for the production of these necessities.\* For just as soon as these new government built, owned, and operated means of production began putting an additional supply of food, clothes, fuel, and consumers' goods in general, on the market, they would come into the sharpest competition with the goods coming from those privately owned means of production which could still be operated profitably. We can see an excellent example of this in one important case in which the American government has invaded the sphere of private profit-making, by itself producing something really useful. This is the case of the Tennessee Valley Authority which, as one of its activities, is producing electrical power and light. And, inevitably, the T.V.A. has come into the sharpest competition with, and has aroused the most violent opposition from, those capitalists who were formerly producing electrical light and power in that area. (And these particular capitalists are supported in their opposition by the whole American capitalist class.)

So we see that it is very difficult to mix the two systems of production. All the same there may well have to be transition stages in which the two systems will have to exist for a time side by side. But we can say definitely that all talk, and the whole English-speaking world is deluged with

\* As Mr. Upton Sinclair proposed to do in California.

such talk, of the planning of production under capitalism is nonsense. The very essence of capitalism, the great advantage which is claimed for it, is that under it production can be left unplanned, free to adapt itself to the changing pull of demand.

But, it may be objected, capitalist governments are nowadays continually intervening in the economic field, and increasingly they do so in the name of planning.. Surely this proves that in practice a certain degree of planning, at any rate, is compatible with capitalism? No one would deny the frequency of these governmental interventions. Hardly a month passes without some capitalist government announcing a new tariff, a new scheme for the restriction of this or that crop, a "quota" of coal, set as a maximum above which the coal mines of the country must not produce, a devaluation of the currency, an imposition of "cuts" in the amount of money paid out in social service, or a direct reduction in such wage rates as the government can control or influence. Such measures are undoubtedly interventions in the economic life of the country. If we call them planning, then, beyond doubt, contemporary capitalist governments never cease to plan.

There is, however, a distinction between such measures and the kind of planned production for use defined above. Planned production for use means the deliberate allotment of the resources of production to making certain particular goods, and this, as we have seen, inevitably leads on to the planning of almost all the community's available resources. For it tends to make impossible (as every capitalist spokes-

man correctly insists when he is objecting to "socialist experiments") the allotment of the rest according to profitability.

But the kind of economic measures which our governments now indulge in, and which they call planning, are of a different kind. They are measures designed to restore to production the condition of profitability, which has for some reason been lost, and without which capitalist production cannot be carried on. If we examine these measures we shall find that they all have one or other of two purposes. They are all designed either to raise prices or to reduce costs of production by cutting wages. The purpose of the group of measures designed to restrict production is, avowedly, to raise the price of the products of that portion of the means of production which are still permitted to operate. If cotton and wheat acreage is regulated, as in America, if fishing is often restricted to every other day, if the amount of coal which each mine may produce is laid down by law, if the amount of milk and potatoes which each farmer may grow is fixed by a "scheme" having the force of law, as in Britain (to take examples from each country), then such measures may succeed in creating a relative scarcity of these products, and so in raising their prices to a profitable level. They are a sort of economic contraception, a process of birth control applied to the means of production, by which a certain proportion of these means of production are rendered sterile, in order that the price realized for the products of the remaining, and still fertile, means of production may be raised. If this

elaborate creation of shortage is planning, then, again, capitalist governments never cease to plan.

The second group of economic measures taken by capitalist governments are more direct in their action. They are designed to reduce the costs of production by reducing the amounts paid out for labor—either by way of wages, or by way of other payments made to the workers, such as insurances, pensions, etc. The purpose of both these groups of measures is to restore profitability to production and so get the self-regulating mechanism of capitalism into motion again. For profits *are* the difference between costs and prices, and they can be restored only by raising prices or by cutting costs. There is, it is true, one method of economic intervention on the part of a capitalist government that can, for a time, although not forever, both benefit the mass of the population by giving them more purchasing power, and yet at the same time make production more profitable. And that is the method which has been used by President Roosevelt's progressive administrations, namely, the taking of money either by taxation or borrowing from the rich and distributing it to the mass of the population. This form of economic intervention, in sharp distinction to the others, is of real benefit to the people and is, naturally and rightly, strongly supported by all progressives. At the same time even this one progressive form of economic intervention by capitalist governments does not, clearly, amount to planning.

Now the government measures which we have listed may or may not be effective for the purpose for which they are

designed: that purpose itself may or may not be self-contradictory in any degree. This does not concern us here. We are solely intent to establish the difference between such measures and anything which can be called planning in the sense proper to that word. The measures taken by our capitalist governments constitute, if you will, plans for the better making of profit; they are plans to restore the profit-making system to working order. But that system is itself the antithesis of a system of planned production for use. The planning of our available resources of production, so that they can be used to the best advantage to provide us with the maximum possible quantity of consumers' goods and services, is a process which can be carried through to its logical conclusion only after capitalism has ended.

The two systems are moreover mutually incompatible for another and more obvious reason. For capitalist production for profit can be carried on only if the means of production are privately and separately owned, while planned production for use can be carried on only if the means of production are pooled under public ownership. The two systems of production, are, in a word, each indissolubly associated with a particular *ownership* of the means of production.

For a planning authority cannot begin to plan until it has effective and permanent control over a predominating part of the means of production. Unless it can allot labor, plant, raw materials, and other productive resources in such a way as to produce its pre-defined output of consumers' goods, it will be powerless. But so long as these re-



sources are left in private hands their owners will not, and for that matter cannot, allow their use to be dictated to them by any outside authority. For so long as the means of production are in private hands they must, of necessity, be operated for profit, and not in accordance with any central plan. But this is obvious and amounts merely to saying that you must first get hold of your means of production before you can begin to plan their use.



## THE CAPITALIST METHOD OF DISTRIBUTION

---

The only rational purpose of production is consumption. The proper object of digging up coal, growing wheat, and fabricating motor cars is the consumption of the resultant goods. Hence the economic life of any community cannot consist in its productive system alone. For in order to consume goods and services you must not only produce but distribute them.

The word "distribute" can, however, be used in two different senses. It can be used to mean the process of transporting goods or services from the point of their production to the point of their consumption. And it can also be used to mean the process of sharing out the available supply among the individual citizens of the community. In this chapter we are concerned exclusively with this second use of the term, with the question of sharing out.\*

Here, then, we shall enquire not how goods and services are to be sent into people's homes, but how we are to decide which homes they are to be sent into. We shall enquire how we are to share out the available supply among us all. For so long as the supply is limited this question has got to be settled. It is second only in importance to the question of what goods and services shall be produced.

\* The physical transportation of goods to the point of consumption is best regarded as part of the process of their production, and has been so regarded in the above account of the productive system. All the estimates of productive capacity cited allow, that is to say, for the necessary resources of production being used for this purpose.

Now the most convenient way (under any system of production) of sharing out a limited supply of goods and services is not to send everybody a certain mixed ration, whether equal or unequal, of the actual goods and services, but to give people a certain amount of money which they can then use to buy the particular goods and services which they prefer, *up to the amount of the money which they have received*. In other words, the question of how the supply of goods and services is to be shared out is the same question as that of how money incomes are to be distributed. For the distribution of money incomes will command the distribution of goods and services. When we discuss the question of distribution what we are really discussing, then, is the question of how incomes are to be allotted. The question is: *What are people to get paid for, and how much is each of them to be paid?\**

Under the capitalist system we pay people for two distinct and different functions. In the first place, we pay people according to the quantity and the quality of the work which they do. We call these payments wages, salaries and fees. In the case of wages it is mainly a question of the quantity of work. The worker is paid so much per week of, say, forty-four hours of work. But the quality of the work, whether it is intense, like the work of a man on

\* In investigating the capitalist method of distribution we shall come upon the reason why our present economic system produces those lamentable results which we noted, but did not try to explain, in Chapter II. We shall discover *why* an economic system founded upon the apparently excellent principle of allowing production to be adjusted to demand by the magnet of profit produces, instead of the promised perfection, poverty in the midst of potential plenty, illimitable injustice and waste.

a conveyor belt, or comparatively leisurely, like that of an agricultural laborer, and whether it is skilled, like that of an engineer, or unskilled, like that of a general laborer, also determines the amount of the wage. In the case of the larger payments for work done, which we call salaries or fees, it is this factor of skill, of the quality of the work, which predominantly determines the rate of pay.†

This is the first method of distributing incomes. But capitalist societies have also a second method. We pay People are paid annual incomes if they own certain kinds of goods. This is not true, we observe, of all kinds of goods. No one is paid anything because he owns an automobile, for example. But a person is paid an income if he or she owns an automobile factory, or a share in such a factory. This reveals to us the distinction. Persons are paid an income if they own property in the means of production. They are paid an income if they own, that is to say, anything which has to be used in order to produce a supply of consumers' goods and services. They are paid an income, for example, if they own land on which crops are grown or stock is raised, if they own a mine from which coal is dug, or a factory in which goods are manufactured.

If we ask why persons should be paid incomes in respect of such ownership, we shall be told that this is done in order to induce them to allow their property to be used for productive purposes. And, indeed, such owners could

† The best worker does not always get the best pay. But no doubt on the long-run average, superior skill does tend to command superior pay.

legally refuse to allow their property to be so used. For the means of production are just as much their private property as are their shirts or their shoes. The landowner could (and occasionally does) refuse to allow his estate to be plowed and could keep it as a pleasure park or a deer forest. A man who owns, say, a two-thirds share in a mine or factory can perfectly legally prevent production from being carried on there. Hence, under the existing system, it is necessary to pay these owners rent on their land, or interest on their shares in a factory, in order to induce them to hire out these indispensable means to people who want to use them for production. And it is clear that these owners will, in fact, hire out their means of production to the persons who agree to pay them the most rent or interest.

But whence comes this rent or interest which is paid by the people who hire and use these means of production? It has to come out of the profits which the actual users of the means of production can make.\* This raises the question of why the aforesaid owners of the means of production should not use them for productive purposes themselves, instead of hiring them out to others. The answer is that they often do so use them. In that case the owners get no *interest* or *rent*, but they do get all the *profit* which they can make out of using their means of production.

\* By the "actual users" of the means of production I do not here mean the manual and technical workers who do the job of production, but the "entrepreneur" who first hires these means from their owners (if these owners do not choose to use them themselves) and then hires the actual workers to operate them.

They get, we see, more profit than would someone who had to hire these means of production before he could use them. For they do not have to pay, as he would, any rent or interest. Or, as it is often reckoned, they pay rent and interest to themselves, and so get the rent, the interest and the profit.

The profit made out of the use of the means of production is, then, the essential sum which is paid to people in respect of ownership. For rent and interest turn out to be, as it were, sub-divisions into which profit is split up when their owners hire out the means of production, instead of using them themselves.\*

Where, then, does profit come from? There is no doubt or mystery about it. The owners of the means of production are paid a profit by the rest of us, because unless we do pay them this profit they will not allow us access to those indispensable means of production, without which we cannot feed, shelter or house ourselves. It is their ownership of the only available land, the workable minerals, and the essential means of fabricating such raw materials into finished goods, which forces all the rest of the population to pay money to these persons. Moreover, so powerful is the bargaining power which these people derive from the fact that the rest of the population simply cannot get on at all without their means of production that they are able to appropriate pretty well everything over

\* We need here, the reader will see, some new comprehensive term to cover rent, interest and profit; to cover, that is to say, all income derived from ownership in the means of production. Marx coined such a term: surplus value.

and above what the rest of the population must keep in order to live and work.

To put it in terms of goods and services, instead of money, the owners of the means of production are able to appropriate for themselves nearly all the goods and services produced over and above what are needed to keep the non-owners going. For if ever, and whenever, the non-owners try to pay them less, and so keep some more for themselves, the owners refuse to allow the use of their mines, land, or factories; they "lockout," as the phrase goes, those who wish to use their property for productive purposes. And this nearly always forces the non-owners to come to terms with them, for the non-owners must starve unless they can get the use of these indispensable means of production.

Thus, the owners, or capitalists, get the difference between the value of all the goods which are produced in the whole productive system and the value of the goods which have to be given to the non-capitalists to live on. Clearly, then, the capitalists would get nothing if the non-capitalists could produce no more than was necessary to keep themselves alive. But nowadays the non-capitalists can produce much more than this amount; and almost the whole surplus above this amount goes to the capitalists.

This is where profit comes from. The effective, legally protected, ownership of the means of production by private persons necessitates the payment to these persons of incomes (and of very large incomes) in respect to this



ownership. Moreover, as we saw in the previous chapters, the payment of these incomes by way of profits is not only necessary in order to induce the owners to allow their property to be used for production; it is also necessary as the regulator of the system. We saw that any system, such as capitalism, which relies upon production adapting itself to the pull of demand must use profitability as a test of what is, and what is not, to be produced. Only those things which it is profitable to produce can, under such a system, be allowed to come into existence. We see, then, that our present method of distributing our supply of products is a necessary part of our whole economic system. Under capitalism it is entirely necessary that men and women should be paid not only for the work they do, but also for the property they own. If you tried to run capitalism without paying the owners of property in the means of production their rent, interest and profit you would destroy both the incentive and the regulator of the system.

This necessity of paying large incomes to the relatively small group of the owners of the means of production is, however, the cause of those disastrous characteristics of capitalism which we noted in Chapter II. For it is this necessity which forces capitalism to distribute money incomes with little regard to the real needs of their recipients. This is what has caused money demand to diverge so disastrously from human need. This is what has brought about that supremely evil state of affairs in which it is profitable to produce the silly luxuries of the rich,



and unprofitable to produce the urgent necessities of many millions of the population.

Moreover, although this is by no means so obvious, it is this gross *maldistribution* of income which is at length making it impossible for capitalism to allow anything up to 20% of us to produce anything at all.

THE CHANGING SHAPE OF CAPITALISM

---

The necessity of paying very large incomes to the owners of the means of production is making capitalism so lopsided as to be unworkable.

This becomes apparent only if we think in terms of goods instead of money. So long as we think in terms of money there seems nothing impracticable about giving one man, say, a thousand times as high an income as another. It is often done. We may or may not think such a procedure just, but there does not seem to be anything about it likely to disorganize the productive system. The payment of such disproportionately large money incomes does not, after all, mean any decrease in the total amount of purchasing power distributed. The net amount of purchasing power distributed remains the same, for example, if you give 1,000 men \$10 a week each as if you give one man \$10,000 a week. Hence the maldistribution of money incomes cannot in itself cause any net deficiency in demand. And capitalism is obviously suffering from precisely such a deficiency.

But now think of the matter in terms of goods. To give one man a thousand times as many goods and services as another is impracticable. For one man cannot possibly use a thousand times as many goods and services as another. Why, one man can scarcely eat twice as much food as another, let alone a thousand times as much; and no matter

how rich a man may be, we defy him to sleep in more than one bed or wear more than one suit of clothes at a time. The contemporary rich have, it is true, developed great ingenuity in the matter of wasteful and useless expenditure. But they do not manage to consume anything like the number of goods and services by the value of which their incomes exceed the average incomes of the wage-earners.

It is important to trace the economic consequence of this situation. The capitalist system (contrary to the opinion of some of its less-informed critics) does distribute by way of wages, salaries, rent, interest and profit enough purchasing power to buy all the goods and services which it produces. But it distributes this purchasing power so unevenly that in fact by no means all the *consumable* goods and services which are produced, far less all that could be produced, can find a market. So much of the available purchasing power is given to so few people, and so little is given to so many people, that the many poor cannot buy the goods and services which they need, and the few rich do not need the goods and services which they can buy.\*

\* The proposals of the Douglasites (social credit) and other currency reformers are based on the view that capitalism does not distribute enough money to sell its products at profitable prices. We noticed (p. 30 n.) that their proposals for dealing with this supposed difficulty broke down because they provided no regulator for the productive system. We now see that their analysis of our troubles is itself faulty. For the real trouble is that capitalism distributes so much money to so few people that this money is not available for buying consumers' goods. And this characteristic of capitalist distribution is, as we have seen, an inevitable consequence of the private ownership of the means of production. All currency reform schemes leave this ownership intact. Hence they cannot help us.

As the rich will not buy these, to them, useless goods and services, and the poor cannot buy them, no one buys them. They do not find a market, and so cannot be profitably produced. The familiar demonstration that nothing much can be wrong with capitalism because it can be shown to distribute enough purchasing power to buy all the commodities which it produces is a case of the fallacy of averages. It can be shown, for instance, that in the production of one hundred \$25-beds \$2,500 are distributed. But this will not necessarily mean that all the beds can be sold. If \$2,000 is given to one man and \$10 each to fifty men, the fifty men may not each buy two-fifths of a bed, and the one man may not buy eighty beds. Some of the fifty men may not be able to afford to buy even one bed and the one man will almost certainly have no use for eighty beds. An important proportion of the beds will in these circumstances remain unsold. The maldistribution of purchasing power can have the same effect upon the productive system as an insufficient distribution of purchasing power. Here, then, we have an explanation of why we cannot, under capitalism, use an important part of our means of production to satisfy our wants, of how poverty and plenty, destitution and unemployment, can co-exist.

At this point the reader will surely be feeling that we have proved too much. "If all this were really true," he may object, "capitalism must have broken down long ago. For if the incomes of the rich are so large as to be unspendable, their recipients must simply hoard them. This must cause a continually increasing deficiency in money

demand, a chronic and never alleviated inability to sell a large proportion of the output of industry. But no system which produced results as bad as that could have survived until now. The mere continued existence of capitalism proves that some way of getting over this difficulty of maldistributed purchasing power must have been found."

The objecting reader is perfectly in the right. There must obviously be something which the rich can buy with their enormous incomes, so that they do not simply have to hoard the money. There is. The owners of the means of production do not spend upon consumers' goods or services the vast sums which have to be paid them so long as we maintain the capitalist system. But they can, and sometimes, but now not always do, spend those incomes on buying new means of production. *With the money derived from their ownership of the means of production they buy further means of production, so that their ownership of this particular kind of property is continually increased.*

To go back to our example: The man who is paid \$2,000 for the use of his property in making one hundred beds will not buy eighty beds, but he very likely will use this money to build a new bed-making factory. To repeat the point in general terms, the large blocks of purchasing power distributed by way of rent, interest and profit to a few individuals cannot be used to buy consumers' goods, but they can be, and sometimes are, used to buy means of production.\* And the productive system, obedient as ever

\* To put the point into our familiar financial terminology, the rich neither spend nor hoard their incomes, but re-invest them. We have implied above that the rich simply cannot spend their incomes on consumers' goods, and

to the pull of money demand, swings away from the production of consumers' goods to the production of means of production. Those resources of production which the extremely unequal distribution of income makes it impossible to use for one purpose can be used for the other.

At first sight this seems to be a complete solution of the difficulty. It seems to disprove our former allegation that a sufficient maldistribution of income will make it impossible to use all of a community's productive resources. All that need happen, we now see, is that, as the distribution of income becomes more and more unequal, more and more of the community's resources must be used for producing means of production, and less and less for producing consumers' goods.\*

this is literally true of the richest member of the contemporary capitalist class. But as a matter of fact, the owners of the means of production have always saved a great deal of income which they could have used for buying luxury consumers' goods and services. For the historical tradition of capitalism is accumulative. It was accumulation, rather than cleanliness, which stood next to godliness in the hierarchy of nineteenth-century virtues. Nor, as we shall see immediately, was this an inappropriate point of view for the then-existing economic situation. Hence the reader must not suppose that the owners of the means of production save nothing until their powers of spending are exhausted. On the contrary, many of them live relatively frugal lives and save as much as 90% of their incomes, thereby considerably accelerating the general development of the system outlined in this chapter.

---

\* This proportion is determined by the proportion in which the community saves and spends its income. We now see that the proportion of saving to spending is under capitalism itself determined by the degree to which income is unequally distributed. For the rich will clearly have to save, and the poor to spend, a high proportion of their incomes.

There is another point in this connection. A great part (in Britain a predominant part) of the total income derived from ownership in the means of production is not now distributed to the individual capitalists at all. It is retained in the hands of the capitalist class, as a class. For it is

What, then, is the difficulty? The difficulty is that the reinvestment of their property-derived incomes by the rich, the purchase, that is to say, of further means of production, while undoubtedly enabling the system to function for a definite historical period, is a solution which steadily makes the problem more acute. For the only ultimate rational purpose of production is, we repeat, consumption. The only rational purpose of building up new means of production is to use them to produce consumers' goods. But now we have discovered that, as, under capitalism, these new means of production will also be privately owned, the income which their use will create will be so unequally distributed that it will be impossible to use the larger part of it to buy the consumers' goods which these new means will turn out. Therefore it can only be used to buy still further means of production. But when this third series of means has come into existence, they, too, will be privately owned, and the larger part of the income created by their use will be distributed to a few persons by way of rent, interest and profit, and so will not be available for purchasing consumers' goods.

And so on and so on. This process is usually called "the accumulation of capital." For capital consists of resources accumulated and re-invested (used, that is to say, to buy new means of production) by the great organizations of the capitalist class, the large-scale industrial corporations, trusts and banks. For a variety of reasons these great organizations now prefer to "plow back" a large part of their profits directly into their own industries instead of distributing these profits to their individual stockholders and then raising the money again from them. The reader will see that this method of accumulation makes no fundamental difference to the way the system works.



of production used in a particular way; used, that is to say, in *this* particular way; used to create, to accumulate, new resources of production in a never-ending series.\* In Chapter II we saw that the object of capitalist production was profit. Now we see that the object of profit-making is, in its turn, the accumulation of capital. We see that the accumulation of capital, looked at in terms of real goods, instead of money, is the piling up in the hands of the makers of the profit of a store of a particular type of goods, namely, means of production.

Now it is often said by critics of the system that the object of capitalist production is to make money, not to make goods. It is pointed out that a capitalist automobile plant is operated in order to create so many million dollars of profit, not so many thousand automobiles. The creation of the automobiles is merely a necessary means to the essential end of creating the dollars of profit. When people say this they are really saying that the essential object of the capitalist system is the accumulation of capital. And the accumulation of capital is itself only a financial way of describing the development of the means of production. For the lump of profit in which any successful act of capitalist production must result is but the financial reckoning up of the resources of production freed for the

\* We are using the terms "means of production" and "resources of production" almost synonymously. But the term "resources of production" seems to me to carry a wider connotation. I use it in passages where it is important to emphasize that what is referred to are not merely machines, etc., but also such things as available electric power and, above all, the command of skilled and unskilled labor. Another term often used synonymously is "factors of production."

development of new means of production. The total profit of the capitalist class is, then, merely the financial symbol of the new means of production which it is the object of capitalism to create. Thus in the last analysis the object of capitalism is to produce new means of production.

The process of the accumulation of capital is, moreover, self-accelerating. The new means of production which are created by the savings of the rich are now usually of a different kind to the means of production which they replace. They are more efficient, or more highly mechanized, as we say. But what do such words as *mechanized* and *efficient* mean? They mean that the production to which they refer is carried on less by means of human labor, and more by means of all kinds of plant and machinery. And, as we saw just now, income is, under capitalism, distributed both in respect of work done and in respect of plant and machinery owned. Hence, if for the production of a particular batch of goods—say, our one hundred beds again—less work and more plant and machinery are now needed, it must mean that more income will be distributed by way of rent, interest and profit to the *owners*, and that less income will be distributed by way of wages and salaries to the now less numerous *earners*.

Yet, as we saw, the earners will spend their incomes predominantly on consumers' goods, while the owners will spend theirs predominantly on new means of production. And this third lot of means of production, when it comes into existence, will be still more efficient and mechanized. Its creation will result, therefore, in a still more unequal

distribution of income. More will go to the owners by way of rent, interest and profit for the use of their ever more essential means of production, and less will go to the earners to pay them for their now less necessary work. A capitalist community must, then, not only use an ever higher and higher proportion of its resources for building up new, and ever newer, means of production; but the pace at which this change of proportion takes place must be an accelerating one.

Another development of capitalism is closely associated with this progressive transformation in the nature of the means of production from small and simple to large and complex. For, both as a cause and as an effect of the worse and worse distribution of income, necessitated by the growth of the means of production, ownership becomes less and less scattered, individual and competitive and more and more concentrated, corporate and monopolistic. It is almost always the owners of the old means of production who are able to buy the new, with the income derived from their original ownership. Moreover, within the class of owners, it is above all the large owners who are able, with their large profits, to buy a predominant part of the new means which are continually coming into existence. We have only to think of the typical capitalist enterprise of the middle of the last century, the Lancashire or New England cotton mill, usually owned by a partnership, and compare it with the typical capitalist enterprise of today, the Imperial Chemical Industries or the General Motors

Corporation, to see how fast and how far this process has gone.

This process of concentration has had vitally important consequences. It has made the owners of the means of production fewer and richer. It has meant that purchasing power is more and more distributed without regard to human need. It has meant that the remaining tens of thousands of capitalists who in Britain or America receive the really substantial blocks of purchasing power spend only a small proportion of their incomes on consumers' goods, while the great mass of the population cannot anything like satisfy their normal needs.

The process of the concentration of ownership has another and still more striking effect, however. It progressively modifies and qualifies one of capitalism's leading characteristics, namely, free competition among the producers. Such free competition alone enables the system to be regulated by the pull of profit and the push of loss in the way which we noticed in Chapter II. It is clear that, in so far as whole spheres of production become complete or even partial monopolies, this mechanism is gravely impaired. The laws of capitalist development begin to be modified.

This monopolistic stage of capitalism is necessarily reached by each capitalist state in the course of its development. At this point the impossibility of disposing of its products to its own population begins to stare it in the face. It is indissolubly associated with, it is indeed the very basis of, a vital feature of latter-day capitalism which is

now universally known as imperialism. What happens is that each national capitalism, as it reaches a given point in the development of its means of production, in the concentration of their ownership, in the elimination of competition between its capitalists, and in the relative impoverishment of the immense majority of its population, *turns outward in search of the markets which its own development has destroyed at home*. This necessity to turn toward economic (and consequently political) expansion is experienced by all capitalist states at a certain point in their development. This necessity makes war recurrent and inevitable under capitalism.

These are the objections to the solution of the rich finding a use for their now huge incomes by buying new means of production with them. If they do so, they progressively accentuate the maldistribution of wealth, the concentration of ownership and the elimination of competition, until a point is reached when each capitalist community taken in isolation can no longer exist. We observe that this is a difficulty which arises only with the passage of time, and the gradual creation of more, and more highly developed, means of production.

Indeed, this characteristic of capitalism was once its great advantage. It was a sort of automatic self-denying ordinance which made it possible for society to go through that early and painful stage of industrialization, which we discussed in Chapter IV, without there being any necessity for anyone consciously to face up to the job. It is only as

and when a community's means of production become highly developed that this characteristic of the capitalist system becomes the curse and the monstrosity which it is today. It is only when we already have means of production which could (without stinting their further development) give us all plenty and security, that it becomes a criminal absurdity to keep the mass of the population in destitution, and devote ourselves to creating still further means of production, which in their turn can never be used for anything but giving birth to still more such means, in an infinite series.

I have written so far as if it were *possible*, though very odd, to go on using an ever-increasing proportion of our productive resources for the further development of these resources, and an ever-decreasing proportion for satisfying our present wants. But beyond a certain point this is not even possible. Beyond a certain point (and it is a point which we in America and Britain have reached), it becomes periodically impossible, because unprofitable, even to go on developing our resources of production.

The picture we have drawn of a system using all its means of production, but using an unreasonably high proportion of them for creating new means, is now only approximated to by capitalism at the very height of a boom. (And even then, as in America in 1929, which was the greatest boom in the history of capitalism, 19% of these means, we saw, remained idle.) Today the normal, characteristic situation of capitalism is, on the contrary, one in which it is as impossible to use a substantial proportion



of our means of production for their own further development, as it is to use them to produce consumers' goods. For it becomes less and less profitable to develop new means of production which can never be used, or at best can be used only to produce still further means of production, which in turn can be used only—and so on and so on. In fine, the hard fact that the only ultimate use of means of production is actually to produce an increased supply of consumers' goods, is beginning to assert itself.

This, then, is the contradiction in capitalism to which communists and socialists often—and often none too explicitly—refer. Capitalist methods of production and distribution (and they are indissolubly linked together) provide an effective (if ruthless) method of industrializing the world; but they cannot perform any other function. When once the primary process of industrialization has been accomplished, the difficulties of the system thicken upon it. The very characteristics which were its principal advantages become its fatal defects. The frugality which it forced upon the greater part of the population once enabled it to free resources of production for industrialization. But in the last resort the only purpose of industrialization is to enable the population to enjoy a more copious supply of goods and services. Hence the very feature of capitalism which once made industrialization possible now makes it impossible for nine-tenths of us ever to enjoy the fruits of industrialization.

It is important to notice this fact of the *ever-changing* character of capitalism in relation to the technical and



social environment which it creates and within which it operates. For this is the crux of the matter. Without a realization of this dynamic, changing factor, debate as to the nature of capitalism inevitably becomes barren. The contradiction between capitalism's ability to produce and its inability to sell its products is not a simple, flat, unchanging arithmetical factor, such as it would be if the system did not distribute enough purchasing power to buy all the goods and services which it produces. It does distribute enough purchasing power, but it distributes it so unevenly that a large proportion of it cannot be used to buy consumers' goods and services. There *was* a solution, and, in a sense, a socially advantageous solution, for this difficulty. This solution was provided by the allocation of a very high proportion of the community's resources of production to the further development of these resources.

It is only now that this solution is *becoming* unworkable. As our productive resources become adequate *both* to give us plenty of consumers' goods and services and to continue their own further development at at least the existing pace, it becomes impossible within the limits of capitalism to use them for either task. The contradiction between the *heaping up* of new means of production and the *holding down* of the purchasing power of the mass of the population becomes ever more insoluble.

The capitalist economists are themselves beginning to notice that there is something queer about the fact that in a depression it is necessary, in order to make the production of new means of production profitable again, to

cut down the population's power to purchase consumers' goods. For they cannot fail to realize that in so doing they are making impossible the use of the new means of production when they come into being, or at best are making it inevitable that these new means of production shall be used for the self-perpetuating task of producing still further means of production alone. When they strike on this difficulty they are very near to a consciousness of the basic contradiction of the system, namely, the unceasing growth of the disproportion between every capitalist society's means of production, and the purchasing power which it can distribute to the mass of the population.

It is the disproportion between these two factors that matters. It is true that at certain times and places the purchasing power of the population of particular capitalist communities has grown quite considerably. Capitalist economists calculate that the per capita purchasing power of the British population has grown four-fold in the last 150 years. A good deal could be said as to the basis of this calculation, but even if we were to accept it, we should be immediately confronted with the fact that the power of the British people to produce had admittedly grown at an incomparably more rapid rate during the same period. Thus there has been a continuous growth in the above disproportion during the whole period.

During the earlier part of the period this growing disproportion created no insuperable difficulties for the system. Indeed, society's powers of production could not have grown nearly so rapidly if this disproportion had not

arisen; if, that is to say, the consuming power of the population had not been rigorously curtailed. For there did not exist sufficient means of production, both rapidly to increase the output of consumers' goods, and rapidly to develop new means of production. It is only today that this holding down of the population's purchasing power has become both the parent of the monstrous poverty-in-the-midst-of-plenty paradox, and also a barrier to the further development of the means of production themselves. For now the restriction of the population's power to consume, although it still frees productive resources for the production of new means of production, makes their use, even for this purpose, impossible. For new means of production which will obviously find no market for their products cannot be profitably produced.

Something has turned into its opposite. What was prerequisite for the development of new means of production has become an impassable barrier to their further development. In order to understand economic and social phenomena, we must observe them not as they are at any one given moment, but as they develop and change. And until we understand them we cannot hope to shape them to our ends.

## THE TWO CLASSES

---

The capitalist method of distribution has important social consequences. It is clear that such a method of distribution must create two groups, or classes, of persons, the first of which derives its income from payments for its work, and the second of which derives its income from payments in respect of its ownership of property in the means of production.\* The first of these two groups or classes of persons are commonly called workers, and the second capitalists. Those who deny the existence of these two groups or classes either do not understand the question at issue or are intent to confuse it.

It is sometimes argued, however, that income derived from ownership of the means of production is not really distinct from income derived from work. For, we are told, those persons who own the means of production only do so by virtue of the fact that in the past they saved up a

\* It has already been strongly emphasized that the capitalist method of distribution is itself but a necessary consequence of the capitalist method of production, *i.e.*, of the ownership of the means of production by private persons and their operation for profit. Hence socialists usually, and with scientific correctness, speak of the creation of classes as the result of the capitalist system of production. This avoids the possibility of giving the wholly erroneous impression that capitalist methods of distribution can be abolished without abolishing capitalist production. (And this is a common illusion.) But since we have expressly explained that this is impossible, we may perhaps write that it is the method of distribution which gives rise to antagonistic social classes. For this is the observable, verifiable fact. But it must be clearly recognized that methods of distribution are always consequential on methods of production.

part of incomes which they derived from work. It was with these work-derived savings that they bought their means of production. Hence they are now just as entitled to derive income from such ownership as are those who derive their incomes from work. Income paid for ownership is justified, in other words, as merely a postponed form of income derived from work. In the phrase of the man who first advanced this view (W.N. Senior), it is "the wage of abstinence"; it is the reward which a man gets for saving up a part of his work-derived income.

Now this argument had at one time a small measure of truth, but today it has become a laughable error. It *was* once true that the means of production were partly developed out of the savings made by the better-paid workers and small independent producers. (In Britain, however, even a hundred years ago, they were predominantly developed out of the savings of the landlords, who already derived their income from ownership, and out of the colonial plunder of the merchant adventurers. Indeed, even in the case of America it is a historical illusion to suppose that the American industrial system was substantially built up out of the savings of American workers and farmers. The real primary sources of American capital were imports of capital from Britain [themselves accumulated as above] and the profits derived from the slave labor of the Negroes of the South.) But it is absurd to suggest that any appreciable part of contemporary property owners' incomes comes from means of production which were originally bought out of savings which these

property owners had made out of incomes derived from work.

To a predominating extent in Britain, and to a rapidly increasing extent in America, the capitalist class has become a hereditary caste. Its members derive their incomes from their parents', and from their own, success in increasing the size of their ownership in the means of production. They have not bought their factories, their mines, their ships or their fields by saving up wages paid to them as frugal and industrious youths.

Even our prominent, but relatively rare, examples of self-made men invariably owe their present large ownership in the means of production not to saving pennies out of their wages as newspaper boys or half-time cotton operatives, but to their luck or skill in taking some sudden opportunity to hire on credit particular means of production from their owner. With these hired means of production they have made a large initial profit, and thus got started on the process of accumulation. Thus there is no longer any appreciable measure of truth in the view that income from property in the means of production is a postponed form of income derived from work.

It is important to notice that what places a particular individual in one or the other class is not the size, but the *source* of his income. For example, some workers have larger incomes than some capitalists. There are highly specialized, technical workers who derive incomes of \$2,500 a year \* from their work (not to take the indi-

\* Compositors on daily newspapers, for example.



vidual cases of intellectual workers with much higher incomes). There are capitalists who own so small a portion of the means of production that they derive only, say, \$2,000 a year by way of rent, interest or profit. But such incomes do not make the first man a capitalist or the second a worker. (Though they sometimes give such individuals the attitudes of mind more usually associated with the members of the class to which they do not belong.) The rarity of these exceptions illustrates, however, the general rule that the capitalists' incomes are large and the workers' incomes small. The categories, capitalists and workers, are quite clearly defined according to the source from which income is derived, and are by no means synonymous with rich and poor.†

The political consequences of this division of the community into two great groups or classes are extremely important.‡ It will have become clear that the economic interests of these two groups are by no means identical; that the more of the available supply of goods and services is allotted to the workers by way of wages and salaries, the less will be left to be allotted to the capitalists by way of

† There are other social groups and numerous distinguishable sub-divisions of the two main groups.

‡ It is quite possible for a particular individual to derive some of his income from one source and some from the other. And such an individual is undoubtedly half capitalist, half worker. There are a fair number of such individuals to be found, particularly among brain workers, in Britain and America. But their relative number is so small that they do not perceptibly blur the distinction. Moreover, they usually serve to illustrate the view that men's opinions are, on the average, determined by the source of their incomes. For it can almost always be observed that such persons share some of the opinions appropriate to workers, and some of the opinions appropriate to capitalists.



rent, interest and profit, and *vice versa*. Moreover, we saw that in general the incomes allotted to the workers could not much exceed what was necessary to maintain them in a condition fit to do their work, while the incomes allotted to the capitalists would in general be very large. Thus one class is enabled, by incomes derived from ownership, to live a life of plenteous security, whilst the other class can, by working long and hard, obtain incomes which suffice to maintain no more than scant, narrow and, above all, insecure existences. This arrangement is considered by some members of the second class to be unjust.

Indeed, the historical developments of the last three hundred years have established in most men's minds an ill-defined but strong opinion that this type of inequality between man and man is in some sense wrong. Hence the spokesmen of the capitalist class usually slur over, rather than defend, this feature of their system. When they do refer to it they often treat it as a necessary evil. They agree that this type of inequality is itself undesirable, but they assert that it is none the less defensible as the necessary price which must be paid for the extreme economic efficiency and stability exhibited, they say, by the capitalist system. If, we are told, this type of inequality were even modified, all incentive for human endeavor would be removed, and civilization could no longer be sustained.

The claim that capitalism is either efficient or stable is a curious one; nor shall we be willing to admit the view that it is necessary to pay one class of persons very large sums of money in order to induce another class of persons

to work. We must, on the contrary, conclude that the social consequences of the capitalist method of distribution are disastrous. Our communities are split up into two classes, sundered both by the fact that they draw their incomes from antithetical sources, and by the fact that the lives which these differently derived and grossly unequal incomes enable them to lead, are extremely dissimilar. The inevitable antagonism, now open, now veiled, now unconscious, between these two classes, poisons the life of our communities at its source.

## THE SOCIALIST METHOD OF DISTRIBUTION

---

The capitalist method of distribution has become one of the main factors disorganizing the productive system. Moreover, it produces injustices compared to which all other injustices are merely secondary.

What then is the alternative socialist method of distribution? It would not be possible, even if we desired to do so, to pay persons rent, interest or profit under a socialist economic system of planned production for use. For rent, interest and profit are paid in respect of their recipients' ownership of property in the means of production. But, as we have seen, a system of planned production for use necessitates the abolition of private, individual property in the means of production. You can no more stick the capitalist method of distribution on to the socialist method of production than you can stick (as is more often suggested) the socialist method of distribution on to the capitalist method of production.

A method must, then, be developed of distributing among the different members of the community the supply of goods and services which a socialist system of planned production for use provides. How much shall this man get—how much the other? Who shall provide for these children? What shall this woman earn? No questions pose themselves more urgently than these.

The simplest principle of distribution compatible with

a system of planned production for use would be to give everyone an equal share of the available consumers' goods and services. We have discussed an estimate of what each family in America could be provided with, using the American productive system to the full, on this basis of equality. Each family of four persons could earn, it was estimated, a mixed bag of all the types of goods and services which American families (when they get the chance) are accustomed to consume, to the value of \$4,400 a year at 1929 prices.

Many people suppose that this arrangement is what communists and socialists propose; but this is not so. They do not propose either as an immediate, or as an ultimate, aim the provision of equal incomes to all members of the community. Marx and Engels, the founders of the modern communist and socialist movements, proposed a quite different method of distribution; and Lenin and Stalin have established this method of distribution in the Soviet Union.

Some non-Marxist socialists, notably Mr. George Bernard Shaw, have, it is true, proposed equality of income as the method of distribution appropriate to a planned system of production for use. Mr. Shaw, in fact, makes this demand for equality of income the center of his whole program, and goes so far as to write, in his *Intelligent Women's Guide to Socialism and Capitalism*, that socialism consists in equality of income; that no one who does not demand that incomes shall be made equal is a socialist. On this basis neither Marx, Engels nor Lenin was a socialist. Now it would, of course, have been open to Mr.

Shaw to explain to us why Engels, for example, was wrong in saying that any demand for equality of income which "goes beyond the demand for the abolition of classes, passes into absurdity." It would have been equally open to Mr. Shaw to show us why he considered that Lenin and Stalin were wrong in not attempting to establish equality of income in the Soviet Union.

But Mr. Shaw gives his readers no indication that this question of economic equality has ever been raised before, either in practice or in theory. He blandly ignores the thinking and experience of all the greatest minds who have ever concerned themselves with the problem, and lays it down *ex cathedra* that socialism means equality of income. Can it be that Mr. Shaw simply does not know that the question of equality under socialism has been exhaustively discussed by all the most important leaders of the working-class movement? Such invincible ignorance is perfectly credible.

The matter has been, however, the subject of repeated, detailed and specific statements by leaders of socialist thinking and doing. Stalin, for example, speaking to the 17th Congress of the Communist Party of the Soviet Union said: "Marxism starts out with the assumption that people's abilities and requirements are not, and cannot be, equal." Again, two British socialist thinkers, Mr. and Mrs. Webb, have recently pronounced upon the point. Their evidence is important, for, although far from sharing Mr. Shaw's ignorance, Mr. and Mrs. Webb are non-Marxist, and in the past have been strongly anti-Marxist, writers who can-

not possibly be accused of twisting Marxist doctrine to fit Soviet practice.

At this point [they write severely], we may observe that it is a false assumption, current among the uninstructed, and even among persons who think themselves educated, that the Communist Party in the U.S.S.R began its task of building the socialist state upon the basis of identical incomes for all workers by hand and brain, on the ground that all men are born equal, with an inherent right to equal shares in the commodities and services produced by the community in which they live and move and have their being. There has never been any such idea among the Marxists. Quite the contrary. Karl Marx and, after him, Lenin were always denouncing the conception of an abstract equality between man and man, whether in the new-born babe, or in the adults as molded by circumstances. In so far as individual communists have indulged in ideals as to how the wealth of the community should be distributed among its members, the slogan has always been one of inequality. (*Ibid.* pp. 701-2.)

On what principle, then, is it proposed to distribute the goods and services produced by a socialist system of planned production for use, and why is the proposal to distribute them equally rejected? Two methods of distribution are proposed, the one as an immediate, the other as an ultimate, aim. It is proposed, as the immediate alternative to capitalism, to distribute the goods and services produced by a system of planned production for use in accordance with the quantity and the quality of the work done. It is proposed, that is to say, to continue (for a time) to distribute goods and services along the first of the channels



used today, but to close the second of these channels (namely, distribution by way of rent, interest and profit to persons in respect of their ownership of property in the means of production).

It is proposed, to put the same point in a different way, to abolish unearned income, leaving earned income as the sole method of obtaining a livelihood. Under such a system the one thing that a man can get paid for is his work.\*

This definition of the principle upon which purchasing power, and consequently goods and services themselves, are distributed in a socialist society covers, we notice, both the payments made to the wage-workers in Soviet state-owned industry and the payments made to the owner-producers in the producers' co-operatives, such as the collective farmers, in payment for their produce. For these latter persons, although they do own their means of production, are paid not in virtue of that fact, but in virtue

\* If we put the point in this way, however, we must immediately qualify it. For it will at once occur to the reader that there are large sections of the population, namely, children and adolescents up till the end of their education, and the aged and invalids, who cannot work. A number of such persons are provided for under this first socialist method of distribution just as they are today. They remain dependents of one or more of the working population. (This arrangement is inextricably bound up with the family.) There remain, however, an important number of the aged, of invalids, and of adolescents during education, for whom a socialist system of distribution must provide. Accordingly, old-ages pensions, insurance benefits for accidents or invalidity, and bursaries for all higher educational work are provided, in the existing socialist community, far more widely than in any capitalist state. But these payments do not modify the principle that income is distributed uniquely as a payment for work. For old-age pensions are clearly merely postponed payments for work which has already been done, scholarships and bursaries are payments in order to enable their recipients to qualify themselves for work, and payments for accidents and invalidity are insurances against the risks of work.

of the fact that they themselves work with these means of production.

Although this change in the method of distribution is consequential upon the change in the system of production, its economic and social effects are far reaching.

Let us first consider the economic effects. The principal thing to notice is that such a method of distribution allows of the use of the community's productive resources either for producing consumers' goods and services, or for producing means of production in any desired proportion. (That proportion will be settled, as we have seen, by the conscious decisions of the planning authority, acting, of course, under the instructions of the community.) There can be no question of a distribution of income so unequal that there is no effective demand for the full attainable output of consumers' goods. For it is the gigantic inequalities caused by the existence of unearned incomes which make it impossible under capitalism for an important proportion of the total purchasing power distributed to be used for buying consumers' goods and services. The relatively modest differences between what workers earn, in a socialist society, according to the quantity and quality of the work which they do, enable some workers to buy more consumers' goods and services than others. But they cannot possibly result in a worker being unable to spend his income.

This method of distribution guarantees a socialist society against that torturing, paradoxical tragedy of our epoch, simultaneous glut and unemployment. This is the simple

secret of the Soviet Union's freedom from glut and unemployment. For if the entire national income (other than what is consciously reserved for the further development of the means of production) is distributed to the population by way of payments for work, it can never be impossible to sell the entire attainable output of consumers' goods and services. For exactly the same reasons, the compulsory unemployment of either men or machines can never occur.

The other economic consequences of the establishment of such a system of distribution are somewhat dwarfed by this tremendous fact. Here is an economic system which, whatever its other disadvantages and difficulties may be, is able to abolish want and unemployment and establish plenty and security.

We observe, however, that the level of income which American and British families might reasonably expect to enjoy under such a system would not be what the N.S.P.P.C report estimated, namely, \$4,400 a year for a family of four. That estimate was based upon the hypothesis of equality of income. This was a useful hypothesis for statistical purposes, but it must now be abandoned, since we see that it is not proposed to distribute income equally, but, on the contrary, in proportion to the quantity and quality of work done. Hence some families, having, say, several skilled wage-earners, would undoubtedly receive more than this amount, and others, having, say, only one unskilled wage-earner, would receive less. Thus under such a system there will be (and there are in the Soviet Union)

inequalities in the economic fortunes of families, due not only to differing rates of pay for different kinds of work, but also to the differing number of wage-earners per family.

It is important, however, to observe the limits of these inequalities as compared to the inequalities which exist in present-day capitalist Britain and America. First, since the productive resources of Britain and America are adequate immediately to provide even the worst-off families with sufficient goods and services to enable them to lead decent, healthy and secure lives, the worst-off family will still have an income adequate for this purpose. This is the cardinal fact. For inequalities *above* such a minimum level of health and decency for all are qualitatively different to the inequality which exists between those who are destitute and those who are secure.

Second, the actual quantitative degree of inequality between different earned incomes is always small as compared with the inequality between earned and unearned incomes. It is reasonable to suppose (on the basis of Soviet experience) that the inequalities between different earned incomes in socialist societies are, normally, of the order of magnitude of one as compared to fifteen. It has been calculated, however, that the "spread" of incomes in contemporary Britain and America between the unskilled laborer and the millionaire owner of the means of production, is as one to forty thousand.

This great diminution in inequality is, as we have seen, of economic, as well as social significance. For while an in-

come of fifteen times the minimum level can easily be spent on consumers' goods and services, an income of forty thousand times the minimum level cannot be so spent, and must be in a large measure accumulated. But this means that it must be used to buy further income-bearing property in the means of production and so to pile up at compound interest.

This brings us to the general question of private accumulation under socialism. Such a system is clearly incompatible with private accumulation, for private accumulation is merely the financial phrase for the continued purchase of the means of production by individuals. How, then, is private accumulation to be prevented? In the first place, we have seen that the enormous diminution in the inequality of incomes, which is effected by the abolition of unearned income, makes private accumulation unnecessary. It will be natural for the individual to spend his income on consumption goods and services. But what, it may be insisted, is there to prevent one of the recipients of the higher earned incomes—a highly skilled technical worker, for example—from saving up a large proportion of his income, and with it purchasing means of production?

The answer is that in a socialist system no means of production are for sale. No stocks or shares, representing the ownership of portions of particular means of production, are on the market. For example, it is no more possible for a man, no matter how much of his income he saves, to buy a share in a Soviet factory or railway than it is for an American or British subject to buy a battleship or a

post office. In fine, the legal code of any state using a system of planned production for use prevents absolutely the passage into private individual hands of any portion of the means of production.\*

Thus the possibility of private *investment* does not exist under such a system. The recipients of high earned incomes can indeed save a proportion of their incomes; but when they have done so they will find nothing to do with their savings except to hoard them, presumably in the form of currency.† And in a society in which there is no need for the individual to provide himself with security against accident or old age they will soon tire of such sterile hoarding.

We can now make another definition of a socialist system of planned production for use. *Such a system is one in which consumers' goods, but not means of production, pass into private hands.*

This definition illuminates the nature of some of the confusions current on the question of private property under socialism. An essential pre-requisite for such a system is

\* Except, in the case of the Soviet Union, the tools used by independently working artisans and the remaining peasants. That important part of the means of production represented by the lands of the collective farmers cannot, I think, be said to be in private, and are certainly not in individual, hands. On the other hand, access to the means of production is restored to the whole population, which in the capitalist world has almost completely lost such access, by community and group ownership.

† At present in the Soviet Union they can buy interest-bearing government bonds with them. It is probable that this will prove a temporary and transitional feature of a system of planned production for use. It is not, moreover, a quantitatively important feature and its origin in the early and difficult period of Soviet accumulation can readily be understood. I hazard the forecast that it will ultimately be eliminated. It will disappear as and when Soviet industry finds its possible itself to provide all the funds neces-



the abolition of private property in the means of production. But this does not mean that it is necessary or desirable to abolish private property in consumers' goods. On the contrary, a socialist system will enormously increase the quantities of such private property in the hands of the immense majority of the population. It is one of the ironies of the capitalist "system of private property" that it leaves some seven-tenths of the population almost destitute of private property.

The object of a socialist system of planned production for use may, in one sense, be defined as the equipment of the mass of the population with the maximum possible quantity of private property in consumers' goods. The British and American people will have, under such a system, incomparably more private property than they have today; they will have incomparably more food, more clothes, more house room, more gardens, more motor cars, more of every type of consumers' goods.

Yet so utterly have we been confused by the vociferous sary for accumulation and as and when the motive for the individual to provide for his or her future has been eliminated, as it will be, both by sufficiently comprehensive social services and, still more, by the general plenty of the community. It may, no doubt, be many years before this is wholly accomplished. And until then individual savings by way of purchase of government bonds, which do not of course carry any ownership of means of production with them, is undoubtedly a useful and necessary feature of the Soviet economic system. The Soviet government has also sold some \$10 million of bonds to foreigners. These bonds are all due to be paid off during the nineteen forties and there seems no reason why the Soviet government should borrow again in this particular way. In any case, the amount of these bonds is quite trivial. They are a feature of the present transitional world situation and could not, obviously, exist in a socialist, or predominantly socialist, world.

spokesmen of capitalism, whose business it is to confuse us, that the now rapid increase in the standard of life in the Soviet Union, involving the passage into private hands of more and more consumers' goods, such as food and clothing and automobiles, is described as the abandonment of socialism! What would mark the abandonment of socialism in the Soviet Union would be the appearance of a Soviet citizen who owned, not an automobile, but an automobile factory, the appearance of a Soviet Ford or Nuffield or Citroen. But of such an apparition there is not, and never will be, any sign. The ownership of automobiles by Soviet citizens does not mark the abandonment of socialism. On the contrary, the first task of a socialist economic system, namely, the attainment of general plenty, will not have been fully accomplished until every Soviet citizen who wants one owns an automobile.

## THE ABOLITION OF CLASSES

---

The social effects of the socialist method of distribution are at least as important as its economic effects. For the payment of income in respect of work done, and for that alone, abolishes classes.

As we have seen, the two great social classes into which our existing communities are split are distinguished by the antithetical sources of their members' incomes. The less of any given total of production goes to the capitalists, the more goes to the workers, and *vice versa*. This flat opposition of interest is the basis upon which is built up the whole fatal dichotomy of modern society. It is impossible to exaggerate the benefit of the merging of these opposed social classes into a homogeneous community, all the members of which derive their livelihoods from the same source and whose interests are, therefore, genuinely compatible with each other.

Equality of opportunity, unattainable for a hundred reasons in any society dominated by a small class drawing its income from ownership of the means of production, can at once become a reality in such an environment. It is true that in a socialist society the children of the higher-paid workers enjoy advantages as against the children of the lower-paid. But such advantages can be almost completely offset by a sufficiently comprehensive system of social serv-

ices, state education, with maintenance allowances, etc. The more subtle social inequalities, the hidden but enormous advantages of being "well connected," correctly spoken, well nurtured and the like which make absurd all talk of equality of opportunity in capitalist society, do not exist.

Again, the level of intelligence of the leaders of such homogeneous communities will rise sharply.\* For our contemporary capitalist societies draw nine-tenths of their leaders from a now largely hereditary ruling class, from, say, 15 to 20% of the population.† Homogeneous, classless societies, on the other hand, draw their leaders from the whole 100% of the population. Thus the chance of the appearance and utilization of such rare, but invaluable, human types as geniuses, whether in science, the technique of production, literature, art, administration, political leadership, or any other field of human activity, is very substantially increased. No Milton need be either mute or inglorious once the essential condition of genuine equality of opportunity, namely, a society free from social classes,

\* For, needless to say, the abolition of classes will not even modify society's need for leadership in every field of human endeavor.

† The capitalist class has solidified into a rigid hereditary caste to a greater extent in Britain than in America, and to a greater extent in Eastern than in Western America. But the process has gone much farther than is supposed and pretended even in Western America. The second generation of the great American entrepreneurs is at the moment just entering into its heritage. It may be permissible to paraphrase the famous passage from *Henry IV* and write:

This is the Western not the Turkish Court.  
*Not Amurath an Amurath succeeds,*  
*But Edsel Henry.*

has been established.† Above all, the abolition of social classes is the pre-requisite of social peace. So long as one small group of citizens derives very large incomes from the ownership of the means of production, and another large group derives very small incomes from being permitted to work with these privately owned means, there is no possibility of social peace. The proof of this assertion is written into the whole history of human civilization. For until now there never has existed a civilized society which was not divided into a ruling and a subjected class. And never, since the dawn of civilization, has there been a period of voluntarily maintained social peace.

The communist and socialist theory of the part which the division of society into antagonistic classes has played in both the rise and the fall of the successive phases of human civilization is both elaborate and important. The essential historical discovery is that the rise of every one of the civilizations which have hitherto existed was associated with, and was dependent upon, the splitting up of an originally homogeneous, primitive society into a ruling and a subjected class. For it was not possible, until the con-

† There is a further point in this connection, which Mr. Bernard Shaw is fond of making. The two main classes in capitalist societies intermarry to but a negligible degree. Hence the area of sexual selection for the comparatively small capitalist class is very restricted and the class probably suffers from in-breeding. (The well-known degeneracy of small, exclusive aristocracies is an example of whither such a tendency leads.) It is reasonable to expect that the far wider area of sexual choice open to every citizen of a homogeneous, classless society will, over a few generations, have a markedly eugenic effect, and so increase the mental and physical powers of the race.

It would, I fancy, be dangerous in the present state of our ignorance of the science of eugenics to regard this as more than a reasonable expectation.

temporary leap forward in man's capacity to produce wealth took place, to create a classless civilization. All of the civilizations which arose were civilizations *of* a ruling class *imposed upon* a subjected class. For the ruling class appropriated to itself most of the advantages of civilization over barbarism, and imposed almost all of the burdens of maintaining civilization upon the subjected class.

This arrangement represented an advance in human development, but it was an advance paid for at a high price. For such a class civilization necessarily involved a perpetual coercion of the ruled by the ruling, and a perpetual resistance to the ruling on the part of the ruled. It was not to be supposed that the subjected class would voluntarily carry the burden of a civilization in the benefits of which it hardly shared. Hence civilization has up till now been something imposed upon the mass of the population by a small ruling, and enjoying, minority. Until a way of abolishing class was found, there could never be anything which could be called a voluntary civilization. The need for the ceaseless coercion of the majority of the population has so maimed, perverted, and poisoned all existing and

---

But it is, at any rate, an incomparably more rational hypothesis than is the monstrous nonsense of "eugenics" as that infant science is taught in capitalist states today. I say nothing of the delirium of fascist "race theories." But in England and America a bastard eugenics is current in which the fact that the working class, which is permanently ill-nourished, ill-housed, ill-clad, and deprived of adequate medical attention, or the knowledge of modern hygienic principles, necessarily suffers in physique, is used, not as an argument for improving the workers' conditions, but in order to prove that the workers are of "inferior stock" to the capitalists! Of all the nauseating perversions which science undergoes under latter-day capitalism this is at once the meanest and the most idiotic.



past civilizations that many of the noblest and most generous minds of all ages have doubted whether civilization did in fact represent an advance over barbarism.

But now the possibility of a classless, homogeneous, and so voluntary, civilization has arisen. Men can now produce so much wealth that the apparatus of civilization, with an ever-growing staff of administrators, research scientists, artists, etc., can easily be maintained while setting aside wealth ample to provide free and civilized lives for the whole population. The establishment of a civilization in the benefits of which the whole population can genuinely and substantially share, is at last practicable.

Limitless possibilities of development are opened to mankind by this fact. For no social form has been more artificial or unstable than class civilization. In the latter stages of such communities especially, every activity, whether practical or theoretical, of the ruling class is to a lesser or greater extent modified by the overmastering necessity of remaining a ruling class. A time comes in the development of every class-divided society when nothing can be done, nothing attempted, no thought even can be conceived, which may endanger the precarious stability of the social pyramid. By an all-pervasive system, which is the more potent for being only semi-conscious, the ruling class comes to repress not only the subjected class, but also every free, lively and creative impulse from within itself. For creative thinking would endanger its own regnant position. In such societies, in their stages of decay, the artist must not see, the poet hear, or the scientist investigate anything

which may disturb the social equilibrium. And by degrees this mandate comes to mean that they must not see, hear or investigate the most striking phenomena around them.

For example, a man need not have the eye of an artist, the ear of a poet, or the brain of a scientist to see, to hear or to understand the tragic conflicts of our epoch. He need only be neither blind nor deaf, nor mentally defective. Yet so pervasive is the power of class interest that the greater number of the most gifted artists and thinkers of our existing ruling class see almost nothing of the real world around them. It is not, in the main, that the ruling class has to prevent them. They are themselves a part of the ruling class, and they perform, with it, the act of self-mutilation, which is now necessary to the preservation of their class in power.

This stultification of the creative powers of a ruling class, together with an intensification of the coercion of the subjected class, develops as and when the historic function of each ruling class is accomplished. One hundred years ago, for example, when the capitalist class of Britain and America certainly had a function, when their economic system of production for profit was the indispensable method of developing the community's means of production, nothing approaching the present degree of either characteristic existed.

Men could still see and hear and think with comparative freedom, for the reality which they apprehended when they did so was not, as it is today, one sustained challenge to the existing social order. Nor was it necessary to devise

new and elaborate methods of coercion for the subjected classes, methods which today are tending to turn the capitalist world into one vast prison house or barrack. For then the workers, however meagerly they shared in the benefits of civilization, felt instinctively that the capitalists were the natural and inevitable leaders of society, who were performing a real function in industrializing the world.

The justification for the existence of our ruling class has, however, disappeared. The ruling class of today, far from performing a function for society, must necessarily strive to shackle, thwart or pervert every creative or progressive development, whether in the economic, the aesthetic or the scientific field. Those of the rich who elect to be idle have become demoralized and demoralizing parasites upon our communities, spoiling and soiling everything which they touch, degrading every value, their art turned to futility, their lives to waste, emptiness and decay. But those of the rich who choose to work do us far more harm. By their financial manipulations, their grandiose gambling in human necessities, they disrupt the economic life of the world. Huge blocks of capital are thrown from one financial center to another, from London to New York, from Paris to London, and back again, either in pursuit of the possibility of profiting by a carefully created shortage in some necessity of life, or in flight from the political risks which they themselves have helped to create. The whole world becomes a gigantic casino; the pledges are ten million bushels of wheat, the rubber supply of a continent or cot-

ton enough to clothe the naked backs of Asia. One group of players wins, another loses. But the men, women and children whose still unalleviated toil has produced this mountain of wealth are not even admitted to the tables. Moreover, the dice are loaded. Some groups of the gamblers have won for themselves positions of world power so strong that they can hardly lose, while others have been put to such disadvantages that they cannot hope to win without a change of place. These dissatisfied players arm, therefore, the producing millions under their command, for an attempt to reverse the verdict of the last slaughter; and whole generations must prepare to die in order that one group of gamblers rather than another may hold the loaded dice.

To such fantastic tragedies does the continuance of class rule beyond its natural term condemn our world. It is from these enormous evils that the abolition of social classes can deliver us. The abolition of classes is the supreme social consequence of a socialist system of planned production for use, distributing its products according to the quality and quantity of work done.

SOCIALISM AND COMMUNISM  
DISTINGUISHED

---

THE socialist system of distribution will, then, abolish social classes. But it will not create equality of income. Why, then, is this system of distribution preferred to, for example, Mr. Shaw's suggestion of paying every worker an equal wage?

Now communists and socialists have quite as clear and realistic a view of what is called human nature as have the capitalists. In fact, they have a much more accurate grasp of human nature, for they have discovered what determines human nature within wide limits. They are not only able to see, as shrewdly as anyone else, what human beings are like today; they are also free from the peculiar illusion that human beings have always been the same as they are at present, and will always remain the same in the future.

Having a science of history, they are able, for example, to observe, and to account for, the fact that the human nature of both the slaves and the patricians of classical antiquity was markedly different from that of either the serfs or the lords of the Middle Ages, and that the human nature of these latter feudal personages was different again from that of contemporary industrial wage-workers and capitalists. In a word, they are convinced that there is no such thing as abstract human nature independent of time and place. The nature of human beings is, on the contrary,

invariably modified by any major change in the social system under which they live. Undoubtedly, however, the immediately important consideration for the establishment of a new economic system is what human beings are like today. And today we have all been molded by nearly two centuries of capitalism, and before that by many centuries of feudalism and of the slow and confused transition from feudalism to capitalism.

Now one of the characteristics of contemporary human beings, who have been modified in this specific way, is that they are accustomed to work for an individual reward. This is a characteristic which, although it may now seem a fixed feature of eternal human nature, in historical fact dates only from recent centuries, and has been built up only as a result of the economic conditions of the modern epoch. For example, such an idea simply could not occur to a slave, since he is not individually remunerated for his labor at all, but is maintained as an instrument of production, in the same way that an engine is fueled or a draft animal fed. Thus the conception that men will work only in so far as they are encouraged to work by increased rewards is a product of the developing economic system of the last five hundred years.

During this period the main political task before humanity has been to break feudal fetters on ever-rising powers of production. The developing capitalist class did this job by raising in men's minds the hope of individual enrichment by way of increased work. The individual enrichment was presumed to follow inevitably, by the laws



of nature, as discovered by the political economists, from increased industry and thrift. But this presumption was true within very strict limits alone. In general it held good only for those who were able to acquire, or command, some of the means of production; in a word, it held good for the capitalists, but not for the workers. Indeed, the conception that individual *profit* is the only thing for which anyone will work necessarily remains a strictly capitalist conception, which cannot have penetrated the working class, for if it had, the workers would never, on this theory, work; for they have no hope of making a profit.

But the wider conception that increased individual reward is appropriate and necessary to increased work has undoubtedly become a strongly established conviction of all of us. It is human nature, during and immediately after the capitalist epoch, to expect and demand such increased individual reward, although this has not always been the human nature of past epochs and will not be the human nature of future epochs.

This particular aspect of contemporary human nature is a factor which cannot be neglected in the development of any new system of distribution. If today we attempted to give equal pay for unequal work, we should flout one of our most strongly held conceptions of justice. If the skilled worker got no more than the unskilled, if the highly qualified technician received, after years of training, no more than the boy or girl whose first job it was to sweep out the factory, we should nearly all feel that an important

and natural incentive to better work had been removed, and a grave injustice done.

*And for our times and for our circumstances we should be right.* Enormously as man's powers of production have developed, they have not yet developed to the point at which we can dispense with varying rewards to those who make varying contributions to society. Any attempt to impose today a flat equality of wages on all workers would show a misunderstanding of the real circumstances in which we live. For undoubtedly such a flat equality would check and thwart the further development of production. Men and women, as they are today, would not always work well or hard unless they knew that harder and better work would bring them individual rewards.\*

This is the first, practical, reason why communists and socialists reject the principle of equality of wages and salaries. To attempt to impose such an equality of pay today would show a failure to grasp the nature of our particular phase of historical development, both of the means of production, and, correspondingly, of human personality. It would be to attempt the impossible. Moreover, and this brings us to the second reason for its rejection, a flat equality of pay would not only be impossible; it would also be undesirable. Such an arrangement, as we noticed above, is not proposed even as the ultimate goal of society.

\* We shall elucidate in the next chapter the difference between this fact and the illusion that men and women would not work unless they had the legal, though not the practical, possibility of private accumulation; unless they had the legal right of acquiring a part of the means of production, and so of becoming capitalists.

Complete equality of economic status in which nobody is any "better off" than anyone else is, probably, the vaguely defined ideal of those who feel intensely the monstrous injustices of capitalist society but have not devoted much attention to the question of what form of distribution would be "just." Perfect justice, they feel, would be achieved only by no one being any better off than anyone else. It is clear that this conception of what would be just conflicts with the former equally widely held conception that it would be unjust to pay as much for less intense and less skilled work as for more intense and more skilled work, more especially in communities which had established genuine equality of opportunity.

Apart from this contradiction, however, it is important to notice how impossible it would be in practice to ensure that nobody should be any better off than anyone else. As we could not avoid noticing in our discussion of the various statistical estimates of possible production, the family income, "the amount of money coming into the house," is what matters most to a majority of the population. This family income depends, we saw, not only, and in some cases not even principally, on the rates of pay received by the workers, but on the number of workers in the family. Thus equal rates of pay for all workers would still leave a family of four which contained three earners thrice as well off as a family of four which contained only one earner. Short, then, of ceasing to pay workers in respect of their work at all, even at equal rates of pay, and giving

each family an income in proportion to its numbers, equality of economic status could not be achieved.

And even then there would be no equality. For every human being differs from every other, not only in his physical and intellectual powers, so that he can contribute different quotas of service to society, but also in his needs and tastes. One man's health forces him to live a long way from his work; one family must have, because it contains several young children, much more house room than another; one woman is, and another is not, naturally ascetic, and so on and so on. The distribution of equal incomes either per family, or still less per individual worker, would not then put people on an equal economic status. It would not answer that vaguely defined demand for justice which we noticed above; it would flout our feeling that better work should receive better pay, and in so doing it would, at our present level of economic development, hamper most seriously the working of a system of planned production for use.

For these reasons the proposal to pay everyone an equal wage was decisively rejected as a matter of theory by Marx and Engels,\* and was rejected in practice by Lenin and Stalin when they came to the actual job of devising an appropriate method of distribution for a socialist society. Marx and Engels advocated, and Lenin and Stalin have established, the system of distribution in accordance with

\* See Marx's *Critique of the Gotha Program* and Engels' *Anti-Dühring*, especially.

the quality and quantity of work done which we have described.

This method of distribution is appropriate and necessary both to our present stage in the development of the means of production, and to contemporary human nature as it has emerged from its prolonged molding by the capitalist system. But just because it necessarily bears many traces of capitalism within it, it has marked limitations and imperfections. We saw that it abolished the fatal and preposterous injustices which arise from the payment of incomes derived from ownership in the means of production. But it leaves in existence substantial inequalities, not all of which can in practice be perfectly adjusted to ability, between man and man. These inequalities are large enough to require careful offsetting by educational assistance, etc., to the poorer families, if they are not to qualify effective equality of opportunity.

Moreover, this method of distribution inevitably produces sharp competition between different workers for the better-paid posts. (From one point of view this is one of its advantages.) Economic competition is eliminated, but what we may call personal competition continues. It is clear that in such a society there is still need for the "keeping of order," if only to see that the limits within which this personal competition may take place are not transgressed. And the "keeping of order" necessarily and always involves coercion. Such a method of distribution is, in a word, by no means ideal. It makes possible an immense advance on our

class-riven societies of today. But it leaves in existence substantial possibilities of social discord.

Is it suggested, then, that this is the best that can be done; that humanity must reconcile itself to this state of things as the furthest point to which social progress can attain? This is not so. The above-defined method of distribution is no more than a more or less prolonged transitional stage to a society in which the distribution of products will be based on a different principle. And the word communism is reserved to describe this second and ultimate form of society.\* Under communism consumable goods and services will be distributed according to need, and work will be performed according to ability. Do we mean by that, the reader will at once ask, that everybody is to be allowed to have as much of everything as he likes, and, more extraordinary proposal still, that nobody is to be compelled to do more work than he wants to? Yes, this is just what is meant. But is this not an utterly impossible form of social organization, unworkable both because there would never be enough of everything to go round, and because most people would not work at all, unless they had to do so in order to earn their livings? Yes, such a system of society is unworkable today and will be unworkable

\* Ultimate only in the sense that that is as far ahead as we can see. But time will not stand still on the full attainment of communism. Human society will, on the contrary, continue to change and develop, and, we may be sure, to change and develop very much more rapidly than it has ever done before. It is quite impossible for us, however, to more than guess at the character of these developments. It seems reasonable to suppose that the solution of men's economic problems by the conscious organization of the community's economic life will seem to future generations an extremely elementary step in human development. The socialist system of production and dis-



tomorrow, when the workers of Britain and America are facing the job of building up a new economic system. That is why it is not proposed as the immediate successor to capitalism.

This principle of distribution has been defined in a well-known phrase, "from each according to his ability, to each according to his needs." Men will be expected to contribute service to society according to their abilities and to take from the social store of wealth according to their needs. We shall find on examination that this principle of distribution (and not equality), however impracticable its early adoption may be, is the only one which can satisfy our vague and at present conflicting feelings as to what would be just. It alone will permit of the full development of human beings, and will eliminate altogether coercion from human affairs. Nor, when certain essential conditions have been fulfilled, will it be impracticable to adopt it.

We have now outlined two distinct forms of social organization. First, we described a system of planned production for use in which the products are distributed in accordance with the quantity and quality of the work done. This is socialism. Now we have outlined a social system which is also based upon planned production for use, but tribution, in particular, is, surely, but the A. B. C. of community living. When that A. B. C. has been learnt, men will pass on to attack far more complex problems—of which some of the most important may be of a psychological nature. It may even be that there are fairly strict limits to the increase in human happiness which can be achieved until some of these psychological problems have been solved. It is certainly useless, and it may be actually harmful, to devote primary attention to these problems today, however. For the establishment of a reasonable economic system is the sole possible foundation for their solution.

in which the products are distributed according to need, and work is done according to ability. This is communism.

We also saw that it is impossible to establish communism as the immediate successor to capitalism. It is, accordingly, proposed to establish socialism as something which we can put in the place of our present decaying capitalism. Hence communists work for the establishment of socialism as a necessary transition stage on the road to communism.

This is how Lenin used, and Stalin uses, the two words *socialism* and *communism*. Marx, on the other hand, called a system of planned production for use, which distributed its products in accordance with the quality and quantity of work done, the first stage of communism, rather than socialism. The usage adopted by Lenin and Stalin seems well established, however, and it is convenient. So in this book we shall use the word socialism to describe the one system and communism to describe the other. This, then, is the difference between communism and socialism.\*

It remains to enquire whether communism, as distinct from socialism, is not a mere dream. It is not. It will be possible to base society upon this principle, as soon as certain psychological and material pre-requisites have been estab-

\* Marx did so in the principal work in which he is intent on distinguishing the two systems, namely, *The Critique of the Gotha Program*, but in other places he often uses the word *socialism* to describe the system of society which must succeed capitalism. The reader will notice that what we have here defined is the difference between communism and socialism. This is an entirely different thing from the political questions involved in the difference between various British and American political parties, such as the British Labor Party and the Communist Party of Great Britain, or the American Socialist Party and the Communist Party of the U.S.A.

lished.\* It is the function of the socialist system of planned production for use, and distribution according to work done, to establish the pre-requisites of this higher form of society, which is communism.

Two things must be accomplished before there can be any possibility of basing society upon the principle of from each according to his ability, to each according to his needs. First, we must have the technical ability to create superabundance. The means of production must be developed to a much higher point than they have yet reached, even in Britain and America. We will have to equip ourselves with machines and productive plants of every kind by means of which we can satisfy all our wants with a minimum of labor, and especially of toilsome, painful or degrading labor. Science will have to discover ways of eliminating all of that huge amount of dreary, monotonous, primitive and heavy labor which is performed, and some of which is necessary, today.

This technical prerequisite to communism may be very much nearer the possibility of accomplishment than we are accustomed to suppose. The mere application to productive processes of the scientific knowledge which has already been attained, but which, because of the decay of

\* Moreover, as usual when a hard and fast definition has been made, it is necessary to qualify it. A given society, while it will always no doubt be predominantly either socialist or communist, may have features of both systems. Thus in the Soviet Union today it is usually calculated that about one-quarter of the purchasing power received by the population comes to it, not in the form of wages for work done, but by the way of all kinds of social services, and free public services. And these services are distributed on the basis of needs. Here then the communist principle of distribution is already making its appearance.

our present economic system, is not used, would, we are told by the younger scientists, vastly increase our capacity to produce.† To this must be added the fact, which we may already deduce from Soviet experience, that science, freed from its present enslavement to profit, bounds forward.

The rate at which, living under a socialist system of planned production for use, men can bring their environment under their command (for this is the broadest possible way of putting the point) is very rapid indeed. It would be futile to guess how long it will be after the abolition of capitalism in Britain and America before the technical basis necessary to give everyone as much of everything as he likes to have can be established. It may be that a hundred years would be too short an estimate; it may be that it would be much too long.\* Moreover, it is not particularly worth while even to attempt such a guess, for the second condition necessary for the appearance of communism will almost certainly take the longer to achieve.

Before there can be any possibility of society giving everyone as much of everything as he likes to have, and asking from him only what work he desires to give, human beings must be given time to adapt themselves to the extreme reversal in the nature of their environment which

† It is worth pointing out that no allowance was made for this factor in the estimates of productive capacity discussed above.

\* Let us remember the technical progress of the last hundred years—from the general application of the steam engine to the general electrification of production and its automatic control by the photo-electric cell—and let us remember that technical progress can take place at a rapidly accelerating speed, at something like geometric progression. One achievement always opens up the possibility of many more.

any approximation to such a society will constitute. Up till now the condition of existence for nine-tenths of the human race has been unremitting and all-absorbing toil. To this toil everything else has had to be sacrificed. Nor has the extraordinary development of our productive powers during the last hundred and fifty years done much to alter this apparently eternal condition of human life. For, as we have seen, under the peculiar economic arrangement which we call capitalism, almost the whole of this increase in our power to produce has been automatically reserved for the still further increase of those powers.†

For a race accustomed from its appearance on the earth to scarcity and toil to be suddenly plunged into an environment in which a very moderate amount of pleasant work will suffice to provide plenty of everything for everybody will be a reversal of fortune without parallel. It would be unreasonable to expect an even approximate adaptation to such a change in less than two or three generations. But this adaption, too, will begin just as soon as the relative plenty and security of a socialist system is established.

It may be that we should waste and spoil the social store of wealth if we had free access to it. It may be that we should idle all our days away in meaningless leisure if we were not compelled to work for our livings. It may be, in a word, that if we suddenly strayed into the garden of universal plenty we should barbarously misuse and destroy it.

† And, of course, for providing an abundance of goods and services to the capitalist class, but that also has made little difference to the lives lived by everyone else.

But we have no right to suppose that our descendants will be as churlish or as childish as we are.\*

Men and women who have never had the opportunity to possess the goods and services necessary to more than a wretched existence might gorge starved appetites. But to the inhabitants of a land in which want and insecurity were unknown, the idea of a man taking more of any particular good than he needed might well seem unaccountably odd. Again, we should be able to understand how work could become the main delight of life, a delight which men would not dream of foregoing. For already those fortunate few amongst us whose work is pleasant and interesting find in it one of the most enduring satisfactions of their lives.

In any case, it is always rash to declare that such and such a development in the way of life of mankind is impossible. Today we smile indulgently at our great-grandfathers for declaring the railway an absurdity, applaud Icarus, and scoff at the generations of practical men who

\* Even such immature creatures as we are would not be likely, however, to make impossible demands for goods if we were told that we could have everything we wanted without restriction. Even today, if we were told that we could have all we wanted, we should not demand ten motors, two steam yachts, three hundred suits of clothes, six houses, and the like. For in conditions of universally accessible plenty there would be no one but ourselves to look after these possessions. There would be no one but ourselves to drive, and wash and clean and oil the ten motor cars; no one but ourselves to man the steam yachts, wear the three hundred suits of clothes, or do the work of the six houses. The sole reason why the contemporary rich can, and sometimes do, demand goods on this sort of ludicrous scale is because they are able to force dozens of the rest of us to work for them. But, given universal plenty and security, no one could be forced into the service of any other individual. In such conditions none of us would demand more



invented the myth in order to warn us of the folly of attempting to fly. Nothing is easier than such retrospective enlightenment. What is not so easy is to avoid committing the same mistakes as to the possibilities open to future generations. In this matter we run the risk of cutting very sorry figures for posterity. For, as Engels remarks, the generations which will put us right are likely to be far more numerous than those which we so patronizingly correct. The world itself is very young. Life is in its childhood. The human race has only just been born.

goods than he was prepared to look after himself. This condition would not, under communism, it is true, put nearly so strait a limit upon the amount of our possessions as it would today, for we are postulating a level of technique in which machines and mechanized devices would be almost self-maintaining, and easily replaceable when they became worn, and in which these devices had eliminated most of the drudgery which the maintenance of possessions involves today.

Moreover, some of the citizens of such a community would, no doubt, work some of their time on the job of maintaining society's stock of possessions instead of on production. Still, the amount of consumable goods of a durable character which any individual would wish to acquire would be a good deal limited by these considerations. And the amount of non-durable goods which an individual can consume is narrowly controlled by physiological limits.

## INCENTIVES TO WORK

---

Men must have an incentive to produce. Unless it provides such an incentive, the best organized economic system will not create a single good or service. Moreover, an economic system should be able not only to induce men to work, but to work steadily, effectively and willingly, and to prepare themselves for more skilled and responsible work. What incentives to work do socialism and capitalism respectively provide?

Now capitalism undoubtedly makes some workers work very hard indeed. In order to do so, it uses both rewards and punishments. The rewards are of two kinds. In the first place, capitalism rewards without stint those members of the capitalist class who work at the task of using the means of production which they own. A capitalist, if he owns the whole, or the controlling part, of some particular productive plant, can manage the plant himself; or, if he owns shares in a number of such plants, can devote himself to buying and selling those shares. The individual rewards obtainable by such work are often enormous. Again, the more successful members of the professional classes, *e.g.*, lawyers, doctors, actors, accountants, authors, engineers, are often highly rewarded for their work. They are sometimes so well paid as to be enabled to acquire, by one means or another (often by marriage, for example), prop-

erty in the means of production and so to merge with the capitalist class.

Now many people sincerely suppose that capitalism gets the work of the world done by offering this type of reward. They suppose that the mass of the manual and clerical workers are induced to work by the prospect of being rewarded with a share in the ownership of the means of production, carrying with it a right to unearned income. They honestly believe that the great advantage of the capitalist system is that it induces the workers to go to work in the morning without any need for compulsion, by offering them the glittering prospect of making their pile. Moreover, it is asserted that this prospect is no illusion; that the workers will become rich owners of the means of production, if only they will work hard enough. A picture of the world is drawn for us in which everyone starts out equal, and the clever, thrifty and industrious emerge, by a process of economic natural selection, rich and happy, while the foolish, thriftless and idle remain in poverty.

In Britain the social scene never bore much resemblance to this picture. For in Britain a semi-feudal hereditary governing class was established before the rise of modern capitalism. In America, more especially in the West, during the last century, however, capitalism did bear some recognizable resemblance to this, its ideal representation. There really did exist at that time and in that place a certain degree of genuine equality of opportunity. The process of economic natural selection did operate, and selected Mr.

Rockefeller, Senior, as the fittest to survive.\* An important proportion of the population really was stimulated to work its hardest by a non-illusory hope of becoming rich owners of the means of production.

In contemporary Britain and America, however, the chance of the worker becoming through his own efforts an owner of the means of production is statistically negligible. This does not mean that, especially in America, the recollection of the epoch has disappeared, in which this transformation was frequent enough to be worth struggling for, or that, consequently, the hope of becoming rich capitalists does not play a role as an incentive to work among present-day American workers.

But this is a hangover from social conditions which have largely ceased to exist, an example of the considerable time which it takes for men and women to adapt themselves to rapid changes in their environment. Moreover, the hope of becoming rich capitalists is not now the most important incentive to work, even among American workers, and it is hardly present among British workers.†

Capitalism, however, uses, though to a slowly diminishing degree, another and limited, but real instead of illusory, system of rewards. Capitalism has seldom given an

\* From the analysis of preceding chapters we can see why. Mr. Rockefeller was acquisition personified. The acquisition of private wealth is the method by which capitalist society performs its historical function of developing the means of production. Hence acquisitiveness is the essential capitalist virtue.

† The illusory hope of becoming a rich capitalist is still, however, especially in America, an extremely important factor in preventing the worker from becoming consciously hostile to capitalism; it still conditions much of his political thinking, that is to say.

appreciable number of workers an opportunity to acquire property in the means of production. But it has often given many of them, if they worked especially well and hard, an increase of pay sufficient to enable them appreciably to better their standard of life. An elaborate system, both of differential wage rates, which encourages the worker to become skilled, and of payment by result (piece-work), which encourages him to produce rapidly, has been developed. It is important to distinguish clearly between such limited, but real, rewards, and the illusory reward of an opportunity to acquire property in the means of production, and thus to secure an unearned income in perpetuity. For, as we shall see, these two forms of reward are constantly confused, and one of them can, while the other cannot, be used in a socialist society.

This second system of rewards by differential wage rates for skilled and unskilled, and for fast and slow, workers is being used by capitalism to a diminishing extent, however. In Britain especially (I am informed that the same process has begun in America) the gap between the wages obtainable by the skilled and the unskilled is tending to decrease in many industries (notably coal mining). Thus, while the prospect of becoming an owner of the means of production has become increasingly illusory, capitalism today relies less than it once did upon this second type of limited, but real, reward in order to induce men to work, and to work hard.

And yet it cannot be denied that contemporary capitalism knows some way of making many workers toil, in many

cases to the very limit of their physical and nervous capacity. The men on the conveyor belts of Detroit, the miners lying on their sides working at the narrow, twisting coal seams of the South Wales Valleys, are clearly under some very effective incentive to work. For they often work themselves to the point of disease and premature death. What is the incentive? The incentive by which contemporary capitalism succeeds in wringing the last ounce of work out of those workers whom it still consents to employ is predominantly not the promise of any reward, but the threat of extreme punishment if the worker relaxes his efforts. That punishment takes the form of a refusal to allow the worker access to the means of production. He is shut out of the factory gates, so that he cannot earn his living. Moreover, by the bitterest irony, the capitalists' inability to employ by any means all of the workers greatly increases their power over those whom they do employ. For there are always a hundred unemployed men forced to stand ready to take a dismissed worker's place.

This, then, is the incentive to work, and to an extreme intensity of work, which capitalism predominantly uses today. It cannot be denied that it is an effective incentive. But it is based on a system of punishment and compulsion, not of rewards. The seldom-recognized truth is that capitalism uses a system of forced labor, all the more rigorous because its compulsions are concealed.\* The slave owner is

\* "As a producer of diligence in others . . . capitalism, in its energy, remorselessness and efficiency has outsoared all the earlier systems of production."



directly and obviously responsible (and may suffer pecuniary loss) if he works his slaves to premature death. But the contemporary factory worker appears to consent to a speed and intensity of work which often in the end destroys him. He is a free man; no legal coercion will be applied to him if he refuses to time his movements to the ever-accelerating conveyor belts of modern industry. He is perfectly free to refuse the terms upon which alone his employer will allow him to enter the factory gates. But if he does so he loses his capacity to earn his living. Thus the capitalists do not now in the main induce men to work by holding any reward, either limited and real, or unlimited and illusory, before their eyes. In the main they compel men to work, and to work at any pace which they decree, by imposing starvation upon them if they do not.

So far we have considered the incentives operating upon those workers to whom capitalism still offers employment. But capitalism today denies employment to some 15 to 30% of all workers. To speak of capitalism providing any incentive to work in their case would be paradoxical in the extreme.

It is worth envisaging what this degree of inability to use our productive resources means to contemporary young men and women who are just finishing their period of education. We can all remember the fund of creative energy which we possessed at that moment. The motives which powerfully impel a young man or woman toward work at this time in their lives are no doubt mixed. They are made up partly of a natural desire to do, to make, to create—to

play a part in the exciting drama of life. And they are partly composed of the equally natural desire to achieve individual success, to rise, to shine, to acquire wealth and power and prestige.

In his biennial report for 1932-34 President Coffman of the University of Minnesota stated that of the twenty-one and a half million American young men and women between sixteen and twenty-five years of age, one million were in college, two million were in secondary schools, two million were at work, while sixteen and a half million were out of school and out of work.\*

These sixteen and a half million young Americans may typify the other uncounted millions of young men and women of every capitalist nation, who have found that the world of today has no use for them. It is horrible to imagine the sense of frustration which these millions of idle young men and women must experience. To be twenty years old, and to have nothing to do; to discover that nowhere in the whole gigantic, complex, dazzling panorama of modern life is there a single task with which one can be entrusted; to find that no man needs one for anything, anywhere—what could be worse than this?

Today capitalism imposes a torture of frustration by compulsory idleness upon a substantial proportion of the youth of the world. And yet capitalism is said to possess the transcendent advantage of providing an incomparably efficient incentive to work! We must not touch it, we are

\* *Youth and Tomorrow's Education*, President Coffman's Biennial Message to the People of Minnesota. Published by the University of Minnesota, 1934.

told, for if we did we should destroy men's freedom to make money, and if this freedom were taken away no one would ever go to work again! Moreover, so extraordinary is the hold on us of such doctrines as these that many of the very men and women who, far from being given an incentive to work, are actually prevented by capitalism from working at all, believe and repeat this argument!

Many boys and girls leaving school or college to face the prospect of years of unemployment base their view of capitalism not on the facts of their own experience, but upon the pretty fictions about freedom of opportunity and enterprise which their professors, their books, and their newspapers have taught them. Suffering themselves, in many cases, an extreme degree of frustration and destitution because capitalism imposes idleness upon them, they solemnly protest that private enterprise and initiative must be preserved at all costs—or no one will ever go to work again! It sometimes seems as if the word was stronger than the fact; that whatever is written in newspaper or textbook must be true; that if experience presumes to contradict, then so much the worse for experience! But such extraordinary social hypnoses as these cannot be maintained indefinitely. Sooner or later the fact asserts itself. And the longer its recognition is avoided, the more brutally it asserts itself.

Let us sum up the incentives provided by present-day capitalism. The only people whom it predominantly induces to work by the promise of increased reward are the members of the capitalist class, and the result of their work

is as often pernicious as beneficial. Capitalism, however, uses to some extent the reward of higher pay as an incentive to harder work on the part of the working class. But to an increasing extent it forces, rather than induces, the workers to spend themselves in toil. Its basic incentive is negative instead of positive; it is based on the fear of punishment, not the hope of reward. It uses a compulsion, differing chiefly in its invisibility and its efficacy, from the palpable lash of the slave owner. Finally for that 15 to 30% of the working population which is today unemployed capitalism provides no incentive to work. On the contrary, it denies them all opportunity to work.

We shall not, then, be willing to admit the contention that capitalism provides such perfect incentives to work that on this ground alone it is irreplaceable. But this does not absolve any social system which claims to be able to take capitalism's place from itself providing effective incentives.

What incentives does socialism provide?

In the first place, a socialist society (as distinct from a communist society) retains, though in a greatly modified form, the ultimate compulsion that able-bodied men and women shall not receive a livelihood unless they work. Indeed, in one respect, it applies this compulsion more rigorously than does capitalism. For capitalism applies it only to the working class, while providing the amplest livelihoods to persons who do no work at all. For example, two of the very largest contemporary incomes, derived respec-

tively from ownership in Mr. Woolworth's stores, and the American tobacco industry, go to the Countess Reventlow (née Hutton) and Mrs. Cromwell (née Duke), neither of whom has ever been suspected of working. Under socialism neither young lady would be so fortunate.\* They would find it necessary to work if they desired to receive an income. Thus socialism applies a strong motive to work to one group of persons to whom capitalism supplies no such motive. On the other hand, socialism does not first compel men and women to work by cutting off their livelihoods if they do not, and then make it impossible for them to work by refusing them access to the means of production. In everyday language, socialism makes it necessary for every one able to work to do so, and simultaneously, by abolishing unemployment, makes it possible for everyone to work.

Moreover, it is worth while noticing that socialism applies this negative incentive to work to the whole population by the same type of mechanism by which capitalism applies it to the non-property-owning section of the population. Just as in present-day capitalist Britain and America economic, as distinct from legal, compulsion forces all those who do not possess property-derived incomes to work, so in the socialist society of the Soviet Union a man is quite entitled to refuse to work, if he can find some other legitimate means of existence. This aspect of socialism, namely, its universal application of that economic obligation to work which is confined under capitalism to the

\* Or rather, so unfortunate. For the endowment of some young girl or boy with fantastic wealth is as unfair to them as it is socially monstrous.

non-property-owning class, will never, it is to be feared, do anything to recommend it to many members of the capitalist class. Indeed, it may be that it is this feature of the system which causes those heartfelt lamentations as to the slavish nature of socialism with which we have all been made familiar. For the re-imposition upon persons long exempt from it of that obligation to labor, if they would eat, which nature imposed upon us all at the beginning, may well seem slavery to the contemporary rich. But for that vast majority of the population who already live by their labor, the fact that socialism gives every man the opportunity to work and earn will seem far to outbalance the disadvantage—and they will not see it as a disadvantage—that it takes away the privilege of highly remunerated idleness from a few.

It may be objected however that socialism does produce a servile state of things in that under it there is but one employer of labor, namely, the state, and that therefore no man can have a choice of employment. This accusation is based on a simple misunderstanding of the structure of a socialist economic system. As we saw in Chapter V, in the existing socialist economy there are three different types of employers of labor, namely, state or municipal agencies, producers' co-operative societies and consumers' co-operative societies. And within each of these types there are a great variety and an enormous number of employing organizations. Mr. and Mrs. Webb thus describe the multiplicity of socialist employing agencies:



There are several hundred U.S.S.R. trusts and combines, and no one of them is exactly like the others. More diverse still are the thousands of separate enterprises, whether factories or institutes, mines or farms, oil fields or power stations, which are independently conducted for their peculiar purposes, unassociated with any trust or combine, and responsible to one or other higher authority. There are also village enterprises, oblast (provincial) enterprises, enterprises of the several constituent or autonomous republics, none of them identical in management or organization with the corresponding enterprises directly subject to the People's Commissars or Sovnarkom of the U.S.S.R. The trade-unions and factory managements themselves now conduct quite extensive productive enterprises outside their primary occupations, in the shape of farms, dairies, piggeries, etc., for "self-supply." So also do many of the forty-odd thousand co-operative societies, whose business now far exceeds mere distribution, and those productive undertakings differ markedly in system and organization one from another. It is among these different employments, all of them separately taking on additional staff, that the individual worker, and notably the boy or girl leaving school, has the utmost possible freedom of choice. (*Ibid.* pp. 771-2.)

We may add that if anyone has a distaste for working for wages, he can join one of the 250,000 collective farms, or other producers' co-operatives. Or again, if he has the necessary abilities, he can start out offering on the market some good or service which he himself produces. He can, for instance, become a free-lance journalist and author, or a house repairer, or a painter, or a musician, or a craftsman producing artistic goods of one kind or another. He can, if he likes, join a producers' co-operative organization for these purposes, or he can work as an isolated individ-

ual. The one thing which he must not do is to hire someone to work for him at a wage and pocket the proceeds of this hired man's work over and above what he pays him.

Socialism retains the ultimate, negative incentive of paying income only to those who work in order to prevent the possibility of particular individuals exploiting the community by receiving all its benefits while rendering it no services. But a socialist society does not principally rely on this negative incentive in order to get its work done—and done well. It uses a well-developed system of rewards in order to secure not only work, but efficient work from every available member of the community. We saw in the last chapter that the proposal to distribute incomes equally was rejected partly in order to retain the possibility of rewarding more intense and more skilled work. Hence the first and simplest way in which a socialist society gets men to work hard and efficiently is by paying them better when they do so. A socialist society not only retains, but enormously develops, the incentive of giving better pay for better work, which capitalism uses, but now uses decreasingly.

This enables us to disentangle one of the most curious of the confusions current on this subject. Not only do many people sincerely believe that more money is the one thing for which people will work, but they conceive of more money in the exclusively capitalist form of the acquisition of capital, the right of private accumulation. We have seen that this involves the private ownership of the means of production, and, consequently, is impossible in a socialist society. But how strange is it to conclude from this that it

is impossible under socialism to induce men to work hard and well by offering them more money! Even under capitalism the offer of higher pay, without any opportunity to acquire property in the means of production, is used for this purpose. One, though, of course, only one, of the motives which induces, say, an army officer, a salaried official of a great corporation, a bank clerk, or a manual worker, to work well is the knowledge that, if he does so, he may expect promotion and better pay. In most cases he cannot expect to become a capitalist; he will not be given any part of the means of production. Nevertheless, he strongly desires to get the increase of pay. For such an increase will enable him to buy more consumers' goods and services—to raise his standard of life. Nothing is more certain, even from the experience of capitalism, than that increased pay, without the acquisition of any means of production, is a most effective incentive to work.

In a socialist society this incentive can, however, be much more effectively applied. For the genuine equality of opportunity which socialism establishes opens up the higher-paid posts to every worker. Today barriers of education, of class connection, of nepotism, effectively close a great many of the better-paid posts to the workers, thus rendering their existence useless as an incentive, since the worker knows perfectly well that nothing he can do will ever get him one. Socialism effectively destroys such barriers, and in so doing provides an important stimulus to the whole working population.

The existing socialist society in the Soviet Union has de-

veloped this system of individual rewards for better work to a very striking extent. Not only, and not merely, has piece-work or payment by result, been applied wherever and whenever it is practicable throughout Soviet industry, but an extensive system of grading the basic wage rates of all the workers according to the demand for work of a particular character has been adopted. Thus the workers in any given trade will be divided by the trade-union concerned into anything from eight to seventeen separate categories, ranging from the least to the most skilled operation required in the trade. Then a basic wage rate of so much an hour is fixed for each category, with the maximum practicable difference between the hourly rates of the more and the less skilled. But how, it may be asked, are the workers placed in one or another category? The answer is at their own request. A worker in the lowest category can demand to be placed in the highest. And his demand must be acceded to, on the one condition that he can show himself capable of doing the much more skilled work involved. He demands, that is to say, a trial on the work of some category above him, and if he makes good at his new job he at once receives the higher rate of pay.

The reader will see that socialism, with its limitless market, and consequently its insatiable demand for more and more, and for more and more skilled, workers can thus develop the old incentive of better pay for better work to a degree quite unknown under capitalism. Mr. and Mrs. Webb give it as their opinion that in the Soviet Union, "The upward march, from grade to grade, of the

more ambitious, the more able, the more industrious, and the more zealous workers in industrial occupations is widespread and continuous. In no other country, not even in the United States, is it so general. . . . The capitalist employers, in every other country, whilst complacent about their own superior efficiency in profit-making, must now and then envy the industrial directors of the U.S.S.R. the extraordinary increases of output obtained by the incentives that Soviet communism supplies to its labor force!" (pp. 712 and 719.)

Again, promotion from grade to grade within the factory is, naturally, but the first step in the broad and open stairway of personal progress open to the citizens of a socialist community such as the Soviet Union. Every ambitious Soviet youth means to pass on and up from the top rank of the skilled workers into positions of ever-growing managerial or technical responsibility. And each of these positions will, of course, carry better pay with it.

The prospect of better pay is, however, only one of the incentives which makes a man work for promotion. Many men (and women) are as much, or more, allured by the increased power which promotion nearly always brings with it. Associated with power is prestige. Promotion is a public recognition of worth—and what will men and women not do for such recognition? Nor is there any reason why a socialist society should not use those badges of public esteem, those medals and orders which, from their abuse, have become ridiculous in our societies, but which are in themselves a reasonable and sensible device. And,

in fact, the existing socialist society does reward its outstanding workers with such orders and medals,\* and they are highly coveted.

Again, promotion almost always means pleasanter and more interesting work. It means the opportunity to develop and use all the mental and physical powers which we possess. It allows a man "to show what he is worth"; it "gives a man a chance." These colloquial phrases show how promotion in itself provides a very sweet reward. The lack of promotion has always been considered one of the worst fates which can befall a man. Shakespeare, for example, made his dissembling Hamlet find ample reason for his melancholy with the phrase, "Why, sir, I lack advancement." In the stagnant societies of contemporary capitalism millions of capable men and women lack not only advancement, but all hope of advancement. All possibility of using their skill and knowledge has been taken away from large sections of the population. Almost every mine in Britain today contains men holding mine managers' certificates, who are used to fill the coal tubs. Almost every fo'c'sle contains seamen who not only hold masters' certificates, but who have actually captained vessels. With what splendid incentives to efficient work has capitalism provided such men as these! Nothing is more tragic or more monstrous than the enormous waste of human skill and diligence represented by these facts. It is one of the major claims of socialism upon the support of every capable man and woman that it can, and does, present unlimited op-

\* For example, the Order of Lenin, the Order of the Red Banner of Toil, the Order of the Red Star.



portunities for the exercise of every ounce of skill, knowledge and efficiency which they possess.

The above are the personal incentives which act upon the wage-workers in socialist industry. Another group of incentives comes into play, however, in the case of those producers' co-operatives which, as we saw, play some part in the industrial production, and a predominant part in the agricultural production, of the existing socialist society. These organizations, since they own their means of production, also own the product when they have made it. Thus the Soviet collective farmers own their crop (although, like other farmers, they have to pay taxation to the state) and divide among themselves either the actual wheat, milk, meat, or other agricultural produce which they raise, or the money which its sale on the market yields them. In the same way, the co-operative societies which produce handicrafts, or some speciality needed by large-scale industry, or which perform some service, such as house repairing, all enjoy the proceeds of their labor sold on the market. It is clear that in their case the familiar, traditional incentive to good and hard work provided by sale in a competitive market operates to the full. (And the same consideration applies to those individual workers, artists, craftsmen, intellectual workers, journalists, laundresses, and many others who continue to exist and to sell the products of their labor on the market.)

In what respect, then, it may be asked, does the position of these workers in a socialist society differ from that of a capitalist employer who sells the products of his firm on

the market for what they will fetch? The answer is that the members of a producers' co-operative society, or an individual self-employing craftsman, in a socialist society, sell the products of their own labor. A capitalist employer, on the contrary, sells the products of his workers' labor. No Soviet collective farm employs, or will ever be allowed to employ, workers who have no part or lot in the enterprise, and whose labor, remunerated by a fixed wage, would yield a profit to the members of the collective farm. In the same way, no individual craftsman must employ other persons to work at wages for him with his tools, on his raw materials, producing commodities for his profit. This would be, clearly, to re-introduce that exploitation for profit of the labor of others by the owners of the means of production, which is the essence of capitalism. But so long as this is strictly avoided there is nothing in socialism which forbids the free sale of the product of a man's labor on the market for what it will fetch. And there is, as we have seen, an enormous and increasing amount of such selling in the Soviet Union today.

In the case of the members of the 250,000 collective farms, which, of course, constitute by far the largest class of such sellers of the products of their labor, a complex combination of incentives to work has been developed. In the first place, all the members know that the total sum to be divided among them depends upon how hard they all work. But, in a co-operative organization containing several hundred workers this is considered to be too diffused an incentive to be effective. Hence each individual

collective farmer shares in the total product of the enterprise in accordance with the amount of work which he does, this amount being calculated either on a piece-work or a time-work basis. To this ingenious combination of two different incentives is added a third. In the typical collective farm the members also engage in individual agricultural production either for the needs of their own families or for sale on the market. Thus the Soviet government strongly encourages the collective farmer to own a cow, or pigs, or poultry, and to cultivate a plot of land of anything up to three acres in extent round his house. It is often only the production of the main agricultural staple of the district, be it wheat, or sugar beet, or stock raising, which is co-operatively undertaken. But again, of course, no collective farmers must in the course of his individual productive operations hire the labor of other persons for wages.

These, then, are the incentives to hard work, capable of appealing to the most severely self-seeking types, which a socialist society provides. These are the reasons which impel even those citizens of socialist societies who cannot be touched in the slightest by considerations which do not benefit them individually and immediately, to go to work, and to work hard and well. Nothing is more certain than that the Soviet Union has been able to secure a high output of work from its citizens. And it has done so partly by the provision of this type of incentive.

It would be quite unrealistic to suggest, however, that

men and women were responsive to nothing but considerations of immediate, individual self-interest. The fact is that men often respond powerfully to the most various, the most idealistic, and the most impersonal appeals. Indeed, what tragedies have not been caused by the fact that they respond to such appeals as hastily and as uncritically as they do! Again and again it has been found possible to make men not only work, but die, for ideals and causes good, bad and indifferent. Men have always been only too ready to fling themselves into every kind of impersonal enterprise or combat—and have helped to wreck civilization by so doing. Gibbon, in a famous passage, tells us how whole generations of the men of antiquity died for a diphthong.\* Century after century men have been willing to throw away their most substantial concerns and to devote themselves body and soul to some cause which they believed to be sacred. The more we read history the less we shall doubt men's idealism and the more we shall doubt their perspicacity.

If, then, almost every government has been able to enlist men's all-too-ready idealism for causes which could

\*The orthodox doctrine of the Trinity was expressed by the word *Homoousion*; the doctrines of the Semi-Arians by the word *Homoiousion*. As Gibbon remarks, the resemblance of the words is in itself a mere coincidence. But the resemblance of the doctrines is fully as close as the resemblance of the words. Yet for several centuries hundreds of thousands of men sacrificed their lives in wars waged between the two factions of the Church which respectively held these doctrines. (It may be, however, that adequate historical research could unearth the real, substantial causes of these wars. For no doubt there were real causes, which merely came into the consciousness of the combatants in the fantastically distorted forms of theological controversy. What a field is presented by the first ten centuries A.D. for an historian equipped with the materialist conception of history!)

bring those who worked or fought for them no benefit, how much more should a socialist government be able to enlist that idealism for the cause of acquiring for themselves all the material and moral benefits of a new civilization? And, in fact, we find that the existing socialist government has been able to tap an immense fund of constructive idealism among its citizens. It has done so partly by devising a system of rewards and punishments, which, while they directly affect the individual, do not effect his or her material interests. We might call it a system of public praising for good work and public blaming for bad work. It is applied informally and variously in nearly all Soviet establishments by such methods as writing up the names and performances of especially good workers on lists of honor hung in some public place, and writing the names of especially bad workers and their performances on corresponding rolls of dishonor. There are a dozen ways of applying this system of praising and blaming, but they all depend upon the existence of a genuine desire upon the part of the population as a whole to improve the productive system. For unless that desire exists there will be no genuine pressure of public opinion, acting upon the individual and influencing him to give his best. Nor (except during a still popular war) can such a public opinion very well arise in a capitalist community. For in such a community increased efficiency of production primarily benefits the capitalists. Their monopolistic hold on the means necessary to wealth production enables them to appropriate almost the whole of society's ever-growing sur-

plus over and above the necessities of the rest of the population. In a socialist society, however, in which there is no such privileged class, any increase in production will undeniably benefit the entire community. Hence a vigorous and genuine public demand for efficiency and diligence can arise.

The first socialist society has also devised a whole series of methods by which the more generalized, and more definitely idealistic, impulses, which certainly influence the conduct of many persons to a significant degree, can be made use of for the benefit of society. There is, for example, the device of socialist competition by which a particular factory challenges another to achieve the highest output, or by which this same principle is applied within a given establishment, one group of workers, or one individual, challenging another group or another individual. Again, there have been occasions on which almost the whole populations of particular cities have turned out on their weekly free days to help complete some especially urgent or especially desirable job (for example, a perceptible part of the immense amount of unskilled clearing work necessary to the construction of the Moscow subway was done in this way). Or, again, there is a system of patronage, by which one organization, a Red Army battalion, or a scientific institute, or a factory, will take a permanent interest in, and assume a measure of responsibility for, some other organization, say, a disorganized collective farm, or a struggling elementary school, and give it sustained technical, moral and material support.



These and many other methods have been devised for utilizing the great reservoir of willing social service which exists in a socialist community. It is true that the desire to render social service exists in capitalist communities such as Britain and America, and that a great deal of unpaid work is done both by members of the working class in their characteristic organizations, and by the capitalist class in various administrative and governmental fields. But a socialist society which has rid itself both of class divisions and of the monopoly hold of individuals upon the means of production can utilize this social idealism incomparably more simply and directly than any capitalist society can ever hope to do.

When once the purpose of work has become undeniably the improvement of the conditions of life for all, much of it is done without regard to, and without hope of, personal, individual reward. It is done simply and directly in order to develop, to improve, to embellish the way of life led by the whole community. Such work foreshadows the attainment of communism itself, when, as we saw, a technical and psychological basis will have been laid which will make it possible for all work to be done from this incentive. And already in the existing socialist society men's attitude to their ordinary work, for which they are paid individually and by results, is profoundly modified by these non-personal incentives.

Stalin, in a speech at a conference of specially efficient Russian workers named after the miner Stakhanov, in November 1935 said:

Under capitalism labor has a private, personal character. If you have worked more, you receive more and live for yourself as you know best. Nobody knows you or wants to know you. You work for capitalists, you enrich them. And how otherwise? It is for that you were hired, to enrich the exploiters. You do not agree with this—then join the ranks of the unemployed and eke out an existence as best you can—we shall find others more tractable. It is for this reason that the labor of people is not highly valued under capitalism. . . . It is a different matter in the conditions of the Soviet system. Here the man of labor is held in honor. Here he works not for the exploiters but for himself, for his class, for society. Here the man of labor cannot feel himself neglected and alone. On the contrary, the man of labor feels himself in our country to be a free citizen of his country, a sort of public figure. And if he works well and gives to society what he is able to give—he is a hero of labor, he is surrounded with glory.

In another speech Stalin defined the kind of help and encouragement which must be given to the worker in a socialist society in order that he should not feel “neglected and alone.” “Men must be grown as carefully and attentively as a gardener grows a favorite fruit tree. To educate, to help to grow, to offer a prospect, to promote in time, to transfer in time to another position if a man does not manage his work, without waiting for him to fail completely; carefully to grow and train people. . . .” This, said Stalin was the job of a socialist society.

To sum up: Any economic system which is to get the best out of such beings as we are today must know how to pro-

vide incentives appropriate for the varying natures of different men and women, and of the same men and women at different times. Present-day men and women respond to the most diverse incentives. Our contemporary human nature is very variable. Sometimes men seem incapable of anything but narrow and grubbing self-interest; at others they dazzle us with the flame of their idealism. The socialist system of distribution of income in accordance with the quality and quantity of work done, combined with socialism's power to evoke our constructive impulses in the cause of direct production for use, is well adapted to the needs of such beings as ourselves.

In the Soviet Union the incentives to work provided by socialism have proved very powerful. Mr. and Mrs. Webb write: "The Bolshevik experiment has, in the course of the past decade, demonstrated beyond all denial that neither the incentive of profit-making nor the existence of a capitalist class as the leaders and directors of industry is indispensable to wealth production on a colossal scale, or to its continuous increase."

Thus there is not the slightest fear of the socialist form of economic organization failing because of an inability to get men and women to work the machines. On the contrary, the incentives to work which come into play in a socialist society are not only incomparably more just and humane, but are also much more varied and powerful, than are those provided by capitalism.

---

## BIBLIOGRAPHICAL NOTES

"If people could only read . . . !"—Karl Marx.

---

The account of how a socialist economic system works presented in this book may awaken the reader's curiosity in regard to the political aspect of socialism, to the history of how the idea of socialism has come into men's minds, and to the way in which men have begun the struggle to realize a socialist society on this earth. If it does, I would refer him to a larger book by myself entitled *The Theory and Practice of Socialism* (Random House, \$3.50), of which this book is a revised edition of the first part. But this larger book of mine can itself serve as no more than an introduction to the whole immense literature of socialism. It is to this literature that the student must go if he wishes to make a serious study of the subject for himself. Now the core of socialist literature consists of the works of Marx, Engels, Lenin and Stalin. And my advice to anyone who wishes to equip himself with the essentials of socialist knowledge is to go, after reading perhaps one general introduction such as my *Theory and Practice of Socialism*, straight to the books of these men themselves.

It is only now, however, that it is possible to offer this advice to the English-speaking student. For it is only in recent years that adequate translations of many of these books have become available. For fifty years after their discovery the ideas of Marx and Engels were completely boycotted by the intellectual leaders of America and Britain. During this whole period, for example, no ray of compre-

hension of even the simpler Marxist conceptions ever penetrated an American or British university. During a period when Marxist controversy was shaking the whole intellectual life of Germany and Austria; when the chief task of many continental economists, such as Werner Sombart, was so to dilute Marxism as to reconcile it with capitalist economic thinking; when, on the other hand, the foremost capitalist economist in the world, Bohm-Bawerk, undertook as an urgent task the refutation of the third volume of *Capital* as soon as it appeared; when in the European socialist movements what were, in fact, the anti-Marxist, pro-capitalist forces did not dare openly to reject Marxism, but had to fight to "revise" it—the American and British universities remained, in this matter at any rate, as sunk in thoughtless meditation as they had been in the days of Edward Gibbon. Nor, although the world resounds with the deeds and the ideas of Marxists, has that reverie been seriously interrupted even now. During the last few years a few brochures on Marxism, patronizing or polemical according to their author's mood, have appeared from the pens of American and British professors of economics or philosophy—brochures which have demonstrated, merely, their authors' profound convictions that it was unnecessary to acquaint themselves with the elements of the subject under discussion.\*

Such indifference to the dominating intellectual controversy of our epoch has something almost heroic about it. It is as if the official representatives of capitalist culture, feel-

\* See, for example, Professor Lindsay's *Marx's Capital* or Professor Joseph's *Karl Marx's Theory of Value*.

ing their world crumbling about them, had determined to remain true to one unchanging precept—come what may, we will not think. But even such diehards in the cause of ignorance have not been able to prevent, in the last few years, the infiltration of Marxism into one part of the American and British universities. The older professors\* can afford to ignore the one body of knowledge which gives some recognizable account and explanation of the world as it has become beyond the boundaries of the campus. But the students cannot, for they must soon go out into that world. Hence a considerable number of university students are now demanding an instruction in Marxism which their professors and lecturers cannot, with the best will in the world, provide. (However, the students often find their own way to a discovery of what Marxism is about.)

It is true that in the latter decades of the last century there was a considerable volume of Marxist thinking in America. But it was not American Marxist thinking. It was essentially the thinking of German immigrants who had brought their Marxism with them. Chicago, because it was the center of German-Americanism, became the center of this thinking. To this day several of the basic works of Marxism (including the second and third volumes of *Capital*) are available in English in editions published in Chicago alone. Moreover, it was in Chicago that eight German-American workers were murdered by due process of Cook County law for the crime (and it is still a crime

\*Some of the younger professors and lecturers at American and British universities show a very different attitude to Marxism, and may soon acquaint themselves with its principles.



in many parts of America) of agitating for better conditions for the working class. And these eight defendants in the great Haymarket trial were, as we may know from their superb speeches from the dock, not only men of unflinching courage unto death, but also men who had a grasp of the essentials of Marxism.

With the coming of the golden age of American capitalism in the early decades of the twentieth century this species of exotic, acclimatized Marxism faded away. Marxist thinking reappeared in the war and post-war crises in America, and was kept alive by a devoted but small band of men and women during the nineteen-twenties. With 1929, however, a sudden and startling wave of Marxist thinking, speaking and writing struck the American intellectual world. With a speed and force impossible anywhere else Marxism has swept through thinking America. It has already struck roots that can never be pulled up.

Thus in both English-speaking countries the boycott of Marxism has been broken. It is no longer possible for the spokesmen of capitalism to ignore Marxism. They are compelled to fight it. And for them, that is the beginning of the end. The approach to Marxism is still a relatively unfrequented path, however. Hence a few directing posts, set up by someone who, like myself, has had to force his way through many a thicket of prejudice and preconception, may possibly serve a useful purpose.

Marx once remarked that the value of commodities was like Mistress Quickly, "of whom Falstaff said, 'a man knows not where to have her.'" Much the same problem

confronts the student of the science of social change. His difficulty is where to begin.

True, the principles of the science are embodied in the works of Marx, Engels, Lenin and Stalin, plus the various statements, resolutions and programs of the Communist International. But neither Marx, Engels, Lenin nor Stalin ever undertook a formal, textbook presentation of the science. This omission was deliberate. For not only were they themselves working out the basic principles of the science of social change, but this science was not, they always maintained, of such a kind as to make possible any form of textbook presentation. To attempt any such thing would be to ossify, and so misrepresent, their whole point of view. The way to present the science, they considered, was by its continual application to, and exemplification by, the political and economic problems which confronted the working class.

The nearest thing to a popular introduction to the science was given us by that supreme master of lucid exposition, Frederick Engels. For his sustained polemic against Dühring almost amounts to this. But *The Anti-Dühring* begins with fifty-odd pages of abstruse and abstract philosophical controversy. Hence it will hardly serve, especially for British and American readers, as a general introduction to the subject.\* Serviceable introductions to Marxism do not, then, exist. It is necessary for the student to tackle at once the individual works of Marx and Engels, each of which deals with a particular aspect of the science.

Where, then, should one start? It is not, I think, possible to answer this question in the same way for every reader. A man's initial point of contact with Marxism must depend on his experience of life, his education and his interests. Thus, an undergraduate of a university will certainly be drawn to one point of contact with Marxism, while an experienced trade-unionist, working at the bench, will be drawn to another. The former will probably go to the historical aspects of the science, the latter to Marx's basic elucidation of the economics of the capitalist process of production. We must make suggestions for both types of readers. For the middle-class reader, then, if he has a working knowledge of European history in the nineteenth century, I make this recommendation: *begin with the historical pamphlets*. In particular, the following four pamphlets by Marx are brilliantly written, exciting and illuminating. They form one of the very best introductions to Marxism.

*The Class Struggles in France (1848-50)*. International Publishers, \$1.00.

Engels began an introduction to a new edition of this pamphlet, published in the nineties, with these words: "This newly re-published work was Marx's first attempt, with the aid of his materialist conception, to explain a section of contemporary history from the given economic situation." This pamphlet is the first scientific analysis of

\* There exists a shorter version of this book under the title of *Socialism, Utopian and Scientific*, which is in many ways a good point of departure. (See p. 204.)

a revolution. It tells the story of the French Revolution of 1848 in the one way that can make the succession of events comprehensible. Moreover, the pamphlet is witty, vigorous, dashing, brilliant. Marxism here goes into action with all its colors flying.

The aforementioned introduction by Engels is a document of great importance. In the first place, it shows admirably how the working-class struggle must be adapted, *within certain strict limits*, to the conditions of time and place; it shows how Marx and Engels were fully aware of the necessity of periods of consolidation and political and industrial organization. More, it shows that Engels hoped passionately that the transit of society from a capitalist to a socialist basis would be effected in the most peaceful manner possible. In the second place, it shows, not so much in itself as in its history, how the little men who took charge of the German working-class movement at the end of the last century transformed this precept of Engels' into the rejection of all methods of struggle other than the ballot box. For the meaning of this introduction was deliberately distorted when it was published by them in the nineties by the omission of all those sentences in which Engels was careful to point out that, much as the workers would like to take power by peaceful means, there was no recorded example of a class allowing itself to be superseded without resorting to unrestrained violence in an effort to maintain or restore its position.

Hence with this work the reader is plunged not only into the Marxist interpretation of events, but also into the

interpretation of Marxism. He is enabled to see the lengths to which men have been willing to go to take the revolutionary sting out of the science of social change.

*The 18th Brumaire of Louis Bonaparte.* International Publishers, 90¢.

This is an account of the *coup d'état* by which Napoleon III made himself dictator of France in 1851. It gives a close analysis of the interplay of class forces which enabled him to do so. It overlaps with *The Class Struggles in France*, but takes the story forward another two years. It is especially striking today because it was the first Marxist analysis of a movement which, while it was not fascist in the modern sense of that word, was analogous to fascism in that it was a temporarily successful attempt of the governing class to suppress a workers' revolution by a combination of ruthless violence and reckless social demagoguery and deceit.

*The Civil War in France* by Marx. International Publishers, \$1.00.

Here Marx takes up French history again at the moment of its next great crisis. He gives a devastating account of the rule of the reaction in France between 1852 and 1870, under the crowned dictator Napoleon III. Then with burning passion (he was writing within two days of the fall of the Commune) he describes the revolt of the working class of Paris and the establishment of the Commune, after the *débatte* of the Empire in the Franco-Prussian War. Marx's

essential conclusion is that here for the first time in history a modern working class held power, although only for a few weeks. Hence it was for the first time possible to make the deduction that the workers cannot simply take over the existing capitalist state apparatus, but must abolish that apparatus and create a new one of their own.

*The Communist Manifesto* by Marx and Engels (published 1848). International Publishers, 10¢.

The Communist Manifesto is, in my opinion, the greatest pamphlet ever written. It has everything: fire, passion, sweep and insight of historical analysis, humor, irony, satire, profundity. It contains a first, and in many respects never surpassed, statement of Marx's and Engels' outlook on the world, and contains it in an incredibly short space. For that very reason it is not perhaps a very easy work to start on.

After reading the historical pamphlets one must tackle the main works in which the basic principles of the science were originally announced. Here is a list of the most important of them, under the three heads of Economic, Philosophical and Political works.

*Economic Works by Marx and Engels.\**

*The Poverty of Philosophy* by Marx. International Publishers, \$1.25.

A reply to the French socialist, Proudhon, who had written a book called *The Philosophy of Poverty*. It is

\* These are not complete lists, but they are perhaps enough to go on with.



important in the sense that Marx here for the first time begins the exposition of distinctive economic views. But the polemical approach is confusing, although lively. On the whole a book to come back to when the main body of Marx's economic thinking has been mastered.

*A Contribution to the Critique of Political Economy* by Marx. Kerr, \$1.25.

This is a sort of first draft of the early chapters of *Capital*; hence many people may feel inclined not to worry with it to begin with. But, especially for those who have been taught capitalist economics, this book is very valuable. For, as its title states, it is a criticism of existing, capitalist, economic science. Hence the reader is able to see how Marx approached economic problems, and to realize how carefully he mastered the whole existing body of economic knowledge before surpassing it. Moreover, it has two other important things in it. First, it contains a more detailed treatment of money than does Vol. I of *Capital*, which those specially interested in money should not neglect. Marx's essential discoveries on money are contained, however, in Vol. III of *Capital*, Part V. No student of money should omit the study of this great and neglected analysis. Second, the *Critique of Political Economy* has as a preface the best-known definition of the materialist conception of history. But personally I have always found the passage obscure and unhelpful. I much prefer Engels' account in *Ludwig Feuerbach* and in the *Marx-Engels Correspondence*.

*Wage, Labor and Capital* by Marx. International Publishers, 10¢.

*Value, Price and Profit* by Marx. International Publishers, 15¢.

These two pamphlets are the best introductions to Marxism for workers. They should read them first. For they explain with extreme directness and simplicity just how the capitalist system works to the advantage of the capitalist and the disadvantage of the workers.

*Capital* by Marx, Vol. I, Modern Library, \$1.10. Edited by Engels, International Publishers, \$2.50. Volumes II and III, Kerr, \$2.50 a volume.

It is no use pretending that to tackle *Capital* is not a big job. But it is always worth mastering one of the two or three books which have changed the history of the world. The main difficulty in *Capital* is the first hundred pages of Vol. I, which are really obscure. Readers are sometimes recommended to start at the end with the historical chapter on Primary Accumulation. But I am not sure that to do so does not create more difficulties than it avoids. Perhaps the best way is to begin at the beginning, but not to let oneself be held up by obscurities. During a first reading of *Capital* one should push resolutely on, like an invading army which leaves behind untaken such enemy strong-points as do not fall at the first attack, confident that it can turn round and deal with them at leisure when the whole country has been occupied.

The obscurity of Part I of *Capital* has been, however, a historical disaster. It must have deterred many thousands of potential readers. Nor is all of this obscurity due to the inherent difficulty of the subject matter. It is interesting to notice that Engels attributed it to Marx's ill-health at the time he was writing. The unfortunate Marx was suffering from carbuncles, the result, no doubt, of the grinding poverty in which he and his whole family were plunged. Engels was reading the proofs of *Capital* in Manchester and writes to Marx on June 16, 1867, that the early chapters bear "rather strong marks of the carbuncles, but that cannot be altered now. . . . At most, the points here established dialectically might be demonstrated historically at rather greater length, the test to be made from history, so to speak. . . . In the abstract developments you have committed the great mistake of not making the sequence of thought clear by a larger number of small sections and separate headings. . . . It is a great pity that it should be just the important second sheet which suffers from the carbuncle imprint." In reply Marx says, ". . . at any rate I hope the bourgeoisie will remember my carbuncles all the rest of their lives." But unfortunately it has not been the bourgeoisie, but us, his sweating, toiling readers who have had cause to remember those carbuncles!

As to Volumes II and III, the only needful recommendation is the simple one to read them—not to suppose that Vol. I completes the work. Vol. III in particular is essential to an understanding of Marx's structure of economic thought. Engels in a letter to Adler, written to the latter on

his imprisonment (*The Correspondence of Marx and Engels*, p. 532), writes, "As you want to have a grind in prison at *Capital*, Volumes II and III, I will give you a few hints to make it easier," and proceeds to give detailed recommendations which one may or may not find useful.

*Theories of Surplus Value.*

This is the fourth volume of *Capital*, published like volumes II and III, posthumously, but edited by Kautsky instead of Engels. Marx described it as "the history of political economy from the middle of the seventeenth century." I have not read it, and it has never been translated into English. But I am informed by Mr. Maurice Dobb that it is of the highest interest to anyone who really cares for economics.

*Political and Historical Works by Marx and Engels.*

*The Origin of the Family, Private Property and the State* by Engels. In preparation. International Publishers, \$1.00.

This is one of the most important, and least read, of all the Marxist classics. Indeed, it would not be at all a bad book to start on. It lays down the basic political conceptions of the science. No one who has not read it can properly understand the central political idea of Marxism, *viz.*, the conception of the state.

*The Conditions of the Working Class in England* by Engels. In preparation. International Publishers, \$1.75.

Engels' first work. It remains the only thorough and unflinching account of the conditions of life of the British workers before the great surge forward of British capitalism from 1850 onwards. It is also the first work to show clearly why the working class must be the chief agent of social change. (Although Engels, in a preface which he wrote to a new edition at the end of his life, considered that it did not show the working-class character of socialism and communism with sufficient clarity.)

*The Housing Question* by Engels. International Publishers, 75¢.

An explanation of why the housing shortage is never abolished under capitalism.

*The Peasant War in Germany* by Engels. International Publishers, \$1.50.

Engels' chief historical work.

*Critique of the Gotha Program* by Marx. International Publishers, \$1.00.

This is an extremely important work, though it is very brief. It contains the essential passages in which Marx clearly indicated how he thought socialist distribution would be and should be arranged. (See Chapter X of this book.) Besides this, it deals with several other vitally important questions of the strategy, tactics, aims and principles of a working-class movement. Contemporary British and American readers must on no account allow them-

selves to be confused by the fact that it was written as a criticism of a now forgotten program of the German Social Democrats.

Then there are many more historical pamphlets, besides the four which I have suggested as an introduction to the whole science. Two of the more considerable are:

*Germany: Revolution and Counter Revolution* by Engels.  
International Publishers, \$1.50.

*The Eastern Question* by Marx (reprinted newspaper articles). Sonnenschein.

*Philosophic Works by Marx and Engels.*

*A Critique of the Hegelian Philosophy of Right* by Marx.  
*The Holy Family* by Marx and Engels.

*German Ideology*\* by Marx and Engels. International Publishers, \$2.50.

I put these three together because they are all early philosophical works. Only one of them is available in English. We may hope to have the others soon, however. Some extremely important passages from them are now available in *Dialectics* by T. A. Jackson (International Publishers). (This is itself an invaluable work of exposition.) In these three early works of Marx and Engels can be traced the genesis of the Marxist outlook on the world.

*Ludwig Feuerbach* by Engels. International Publishers, 75¢.

\* Extracts from this work are contained in *A Handbook of Marxism* (Random House, \$3.00).



This superb monograph contains the best elucidations of the materialist conception of history. Moreover, it contains as an appendix Marx's famous "Theses on Feuerbach" of which Engels writes, "These are notes hurriedly scribbled down for later elaboration, absolutely not intended for publication, but they are invaluable as the first document in which is deposited the brilliant germ of the new world outlook."

*Dialectics of Nature* by Engels. International Publishers have an edition in preparation.

Not yet available in English and unknown to me. Said to be Engels' most important discussion of the application of dialectical materialism to science.

#### *General Works.*

*Herr Eugen Dühring's Revolution in Science* by Engels. International Publishers, \$2.00.

This is the nearest thing to a general, popular introduction to the science of social change which either of its founders ever undertook. And, if the reader can get over the extremely subtle and obscure philosophizing with which it begins, and also the rather knock-about controversy with Dühring which runs right through it, he should begin with it. In any event, no student of Marxism can possibly neglect it. On a dozen particular points it contains the best statement of the Marxist view which has ever been made.

*Socialism, Utopian and Scientific* by Engels. International Publishers, 15¢.

This is the aforementioned abbreviated version of the *Anti-Dühring*. The more abstract philosophical parts are left out, and an exceedingly witty preface by Engels is added. This is a third admirable way into Marxism. (The four historical pamphlets and the two economic pamphlets being the other two.)

*The Correspondence of Marx and Engels*. International Publishers, \$2.75.

This selection from the innumerable letters which Marx and Engels wrote to each other (with a good many letters to third parties added) is one of the major, fundamental works of Marxism. Marx and Engels kept up a running commentary both on current public events and on their theoretical work which will always remain one of the greatest correspondences that has ever been published. Almost all the letters make brilliant and delightful reading. As, of course, they take a good deal for granted, one should not, I think, begin on them. But at some point every student will certainly want to read them.

These, then, are the main works of Marx and Engels in which, taken as a whole, the basic principles of the science of social change are laid down. Now we come to the development of these principles in order to keep them abreast of developing reality, a development predominantly undertaken by Lenin.

The three essential works of Lenin are *Imperialism, The State and Revolution* and *What Is to Be Done?*

*Works by Lenin.*

*Imperialism: The Highest Stage of Capitalism* by Lenin. International Publishers, 30¢.

It is by no means easy reading. The first half contains many facts and figures on the tendency to monopoly of pre-war German capitalism and the inevitable connection of imperialist expansion and industrial development. Far more striking facts and figures could now be produced from the history of post-war capitalism; hence the reader is apt to become impatient. Gradually, however, the theme of the book emerges, and the reader is convinced of the real economic causes of war. No one who has not mastered this book can understand the world in which he lives.

*The State and Revolution* by Lenin. International Publishers, 30¢.

This is the application to contemporary reality of the basic political principles contained in Engels' *Origin of the Family, Private Property and the State*. It is the central refutation of the view of the non-Marxist and pseudo-Marxist spokesmen in the working-class movement that it is possible to go from capitalism to socialism in the economic sphere without a corresponding transformation in the political sphere, without, to be precise, ending the rule of the capitalists and establishing the rule of the workers.

Moreover, it shows that the workers cannot simply take over the existing apparatus of government as used by the capitalists. They inevitably have to abolish this apparatus and create a new one of their own.

*What Is to Be Done?* by Lenin. International Publishers, 50¢.

The supreme importance of this book is that it contains Lenin's project for a working-class party in the new, twentieth-century sense of that term. The problems of the working-class movement are not exactly the same as they were when Lenin wrote nearly forty years ago. For the workers do now possess in almost every country the essential core of a working-class party of the new type. Hence, the need is now for the workers to develop their parties, while at the time Lenin wrote it was possible only to project the creation of such parties. Historically the book is of profound interest, in that it contains Lenin's original (and never abandoned) plan of how to overthrow the Tsarist régime. It shows that Lenin thought out exactly what he wanted to do, how he was going to do it, and then did it.

*Materialism and Empirio-Criticism.* International Publishers, \$2.50.

This is Lenin's main philosophical work. Downright blunt, effective, its immediate aim was to prevent, as it succeeded in doing, Russian Marxists, discouraged after the suppression of the revolution of 1905, from putting all their emphasis on the dialectical method, derived from

idealist philosophy, and forgetting about the materialist basis of dialectical materialism. Its main significance, however, is not Russian but worldwide. It was a heavy blow at that whole tendency toward the revision, in the sense of the emasculation, of Marxism, which swept over Europe in the pre-war period. As this tendency, especially in the field of philosophy, is ever recurrent, it is a book of high and permanent importance. But it is no use tackling it until one has got a good grasp of the philosophical questions at issue.

*The Teachings of Karl Marx.* International Publishers, 15¢.

Lenin wrote this essay for an encyclopedia. It contains a short life of Marx, a summary of his teachings and a bibliography. This is the classical summary of Marxism as a science. It is, however, extremely compressed, and I very much doubt if much can be got out of reading it *before* reading Marx's and Engels' own works. (In any case, I know that I could make nothing of it in these circumstances.) But *after* the original works have been read, Lenin's summary becomes invaluable, in that it throws every essential point into high relief.

Two pamphlets, both written after Lenin had become head of the Soviet Government, are also of the highest importance:

*The Proletarian Revolution and the Renegade Kautsky.*  
International Publishers, 30¢.

This is Lenin's reply to an attack on the Soviet government's alleged suppression of democracy. This attack was made in the years immediately following the Russian Revolution by the leaders of the socialist parties in Western Europe. Kautsky, the leading German Social Democratic thinker, had published a pamphlet called *The Dictatorship of the Proletariat*. Lenin's reply should be read in conjunction with his *State and Revolution*, to which it is in a sense a sequel. It is extremely interesting to read these two pronouncements of the leader of the first successful workers' revolution, the one written immediately before, and the other soon after, power had been won. The argument of the pamphlet is, essentially, that revolutionary experience had confirmed Marx's and Engels' view that so long as classes exist, one class will be on the top of the other dictating to it, and that consequently it is idle to talk of an abstract democracy in which capitalists and workers share alike.

*Left-Wing Communism: An Infantile Disorder.* International Publishers, 25¢.

This pamphlet in a sense completes Lenin's lifework in developing Marxism and applying it to the twentieth-century world. Having fought out the struggle with the various breeds of revisionist, anti-revolutionary Marxists, he had at the end of his life to turn round and combat the opposite tendency. He had to try to prevent those men and women who had remained true to the working-class cause during the years of betrayal from cutting themselves off



from the main working-class movements of their respective countries by a sectarian, unselective, ill-considered attitude of "ultra-Leftism." For such an attitude, however natural and inevitable it might be as a reaction from the collapse of the official leaders of the working-class movements before the prospects of a struggle for power, was evidently disastrous.

These books and pamphlets are but a very small part of Lenin's writings. The bulk of the rest consists of innumerable occasional articles and speeches. To read through these comments of Lenin's on the events of his time; to mark his unfailing power to react powerfully and accurately to almost literally everything that happened in Europe, from a one-day strike in a Russian textile mill, to the outbreak of the World War, is to receive the maximum degree of political education which one can receive from reading books. International Publishers have now published a *Selected Works* in twelve volumes (\$2.00 a volume), as well as their large *Collected Works* of which only five volumes are as yet available.

*Works by Stalin.*

*Foundations of Leninism.* International Publishers, 40¢.

This is Stalin's most important and considered pronouncement on political theory. Stalin is intent to show that Lenin did not merely re-discover and re-apply Marxism to the problems of the twentieth century, but made "a further development of Marxism." Moreover, this further

development is applicable to the whole twentieth-century world and not merely to Russia.

The book also contains a description of the new type of political party which the working class must create if it is to conquer power. Such a party, Stalin writes, must be much more than the loosely knit electoral machine which the socialist parties of Western Europe had become. It must be, in Stalin's phrase, "the General Staff of the working class."

*Marxism and the National and Colonial Question* by Stalin.  
International Publishers, \$1.50.

This is Stalin's main pronouncement on a subject which he had made especially his own, namely, the relationship of the spontaneous struggles of peoples oppressed by one or another of the great empires, as his own Georgian people had been oppressed by the Tsarist empire, and the struggle of the working class against the capitalist class. *The October Revolution*. International Publishers, \$1.00.

This work is today of especial interest in view of the recent trials of the remaining adherents of Trotsky in the Soviet Union.

*The International Situation, August 1927*. (The Communist International, October, 1927.)

The most interesting section of this speech is Stalin's discussion of communist tactics in China. (This section is printed in *A Handbook of Marxism*; see page 211.)

*Address to the Graduates from the Red Army Academy.*

(Available in book form in *A Handbook of Marxism*; delivered May 14, 1935.)

This is the first of a remarkable series of speeches which Stalin delivered during the year 1935. They mark the conquest of the early difficulties and dangers which had marked the establishment of a planned system of production for use in the Soviet Union. They usher in a stage of extremely rapid economic development, and a shifting of stress from quantity of production to quality of production. Stalin emphasizes that it is now possible and necessary to pay greater attention to the quality of the life which men lead in a socialist society. Stalin delivered two further speeches of great interest during 1935, namely, that delivered to the Stakhanovites (quoted in Chapter XIII) and that delivered to the Women Collective Farmers.

It remains to draw the reader's attention to *A Handbook of Marxism* edited by Emile Burns (Random House, \$3.00). This book consists of well-chosen extracts from most of the works listed above. Nobody must suppose that a reading of these extracts is a substitute for reading the works themselves. Still, as few people can afford to possess all the Marxist classics themselves, and so must depend on obtaining them from libraries, etc., the *Handbook* is a most useful possession for reference, consultation and re-reading.

This Bibliography is confined to the works of Marx, Engels, Lenin and Stalin. For it is quite impossible to enter

the enormous field of working-class and socialist literature which now exists in English. One may perhaps make an exception in favor of Mehring's classical and beautiful biography of Marx, for this book is essential to an understanding of how and when the Marxist classics were written. It is *Karl Marx, A Biography*, Covici-Friede, \$5.00.

•

*This book has been produced wholly under union conditions. The paper was made, the type set, the plates electrotyped, and the printing and binding done in union shops affiliated with the American Federation of Labor. All employees of Modern Age Books, Inc., are members of the Book and Magazine Guild, Local No. 18 of the United Office and Professional Workers of America, affiliated with the Congress of Industrial Organizations.*

•







CALIFORNIA LABOR SCHOOL  
203 SO. BROADWAY, RM. 404  
LOS ANGELES 12, CALIFORNIA



